

Report

RuiHua Shen Zi [2017] No 48380010

To The Board of Directors of Anhui Gujing Distillery Co., Ltd.:

We have audited the accompanying financial statements of Anhui Gujing Distillery Co., Ltd. (hereafter, the Company), which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of cash flows, and the consolidated and separate statements of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

I Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of financial statements. This responsibility includes: (1) preparation of financial statements in accordance with Enterprise Accounting Standards of China and for the purpose of fair presentation; (2) designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II Auditors' responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with the Chinese Certified Public Accountants' Auditing Standards (hereafter, the Standards). The Standards require that we comply with Chinese Certified Public Accountants Ethical Requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves the performance of audit procedures to obtain audit evidence relevant to the amounts and disclosures in the financial statements. The procedures selected depend on judgment of the Certified Public Accountants (hereafter, the CPAs), including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the CPAs consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III Audit opinion

In our opinion, the financial statements of the Company have been prepared in accordance with the Enterprise Accounting Standards of China and present fairly, in all material respects, the consolidated and separate financial position of the Company as at 31 December 2016 and its consolidated and separate result of operation and cash flows for the year then ended.

Ruihua Certified Public Accountants

Certified Public Accountants

Beijing, China

Certified Public Accountants

26 April 2017

1. Consolidated balance sheet

Prepared by Anhui Gujing Distillery Company Limited

December 31, 2016

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	532,909,026.07	1,087,319,158.77
Settlement reserves		
Intra-group lendings		
Financial assets measured at fair value of which changes are recorded in current profits and losses	429,190.68	322,223.28
Derivative financial assets		
Notes receivable	534,386,586.59	539,442,903.31
Accounts receivable	12,287,262.88	4,948,074.84
Accounts paid in advance	74,784,221.59	80,373,083.59
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	2,843,178.08	0.00
Dividend receivable		
Other accounts receivable	10,765,397.03	8,617,955.68
Financial assets purchased under agreements to resell		
Inventories	1,786,433,036.50	1,396,712,050.87
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	1,750,278,829.24	1,500,970,860.37
Total current assets	4,705,116,728.66	4,618,706,310.71
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	404,029,552.27	313,881,190.47
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment		
Investing real estate	8,402,944.74	9,715,451.89
Fixed assets	1,865,691,585.06	1,691,028,804.32

Construction in progress	71,771,324.26	62,562,971.78
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	700,684,529.08	298,372,239.96
R&D expense		
Goodwill	478,283,495.29	0.00
Long-term deferred expenses	93,588,397.35	127,815,668.37
Deferred income tax assets	107,654,597.15	61,065,003.63
Other non-current assets	300,982,000.00	0.00
Total of non-current assets	4,031,088,425.20	2,564,441,330.42
Total assets	8,736,205,153.86	7,183,147,641.13
Current liabilities:		
Short-term borrowings		
Borrowings from Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-group borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	11,298,583.00	93,768,583.00
Accounts payable	340,972,366.21	378,187,452.07
Accounts received in advance	623,990,614.91	608,565,152.50
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	288,027,136.09	253,901,700.72
Tax payable	486,959,651.85	358,087,353.80
Interest payable		
Dividend payable		
Other accounts payable	641,472,271.53	452,193,188.94
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		

Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities	241,487,812.54	138,135,604.82
Total current liabilities	2,634,208,436.13	2,282,839,035.85
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	43,978,795.45	46,123,314.33
Deferred income tax liabilities	117,287,002.52	20,463,660.87
Other non-current liabilities		
Total non-current liabilities	161,265,797.97	66,586,975.20
Total liabilities	2,795,474,234.10	2,349,426,011.05
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	1,295,405,592.25	1,294,938,493.19
Less: Treasury stock		
Other comprehensive income	36,144,477.95	54,481,886.51
Specific reserves		
Surplus reserves	256,902,260.27	256,902,260.27
Provisions for general risks		
Retained profits	3,503,069,053.49	2,723,798,990.11
Total equity attributable to owners of the Company	5,595,121,383.96	4,833,721,630.08
Minority interests	345,609,535.80	0.00
Total owners' equity	5,940,730,919.76	4,833,721,630.08
Total liabilities and owners' equity	8,736,205,153.86	7,183,147,641.13

Legal representative: Liang Jinhui
Changqing

Person-in-charge of the accounting work: Ye

Chief of the accounting division: Zhu Jiafeng

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	225,792,686.26	548,650,832.84
Financial assets measured at fair value of which changes are recorded in current profits and losses	429,190.68	322,223.28
Derivative financial assets		
Notes receivable	449,016,169.03	288,101,188.68
Accounts receivable	6,377,346.00	4,350,437.24
Accounts paid in advance	11,815,064.19	5,876,678.41
Interest receivable		
Dividend receivable		
Other accounts receivable	105,514,906.34	107,625,019.85
Inventories	1,549,397,565.11	1,374,311,894.88
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	1,750,000,000.00	1,500,000,000.00
Total current assets	4,098,342,927.61	3,829,238,275.18
Non-current assets:		
Available-for-sale financial assets	403,547,952.27	313,881,190.47
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	1,155,089,408.32	354,089,408.32
Investing real estate	30,846,736.84	9,715,451.89
Fixed assets	1,375,089,823.91	1,471,584,047.66
Construction in progress	68,022,146.66	62,355,022.07
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	186,370,081.28	187,468,810.92
R&D expense		
Goodwill		
Long-term deferred expenses	92,695,064.02	127,815,668.37
Deferred income tax assets	36,366,330.90	42,154,627.44
Other non-current assets	982,000.00	0.00
Total of non-current assets	3,349,009,544.20	2,569,064,227.14

Total assets	7,447,352,471.81	6,398,302,502.32
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	28,583.00	828,583.00
Accounts payable	307,649,868.02	371,636,772.06
Accounts received in advance	1,003,521,896.65	659,484,624.07
Payroll payable	90,742,908.53	88,513,920.05
Tax payable	320,037,309.94	237,459,964.06
Interest payable		
Dividend payable		
Other accounts payable	282,570,379.80	268,035,753.60
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities	37,589,367.67	61,660,494.13
Total current liabilities	2,042,140,313.61	1,687,620,110.97
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	42,745,851.74	46,123,314.33
Deferred income tax liabilities	15,385,289.84	20,463,660.87
Other non-current liabilities		
Total non-current liabilities	58,131,141.58	66,586,975.20
Total liabilities	2,100,271,455.19	1,754,207,086.17
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	1,247,162,107.35	1,247,162,107.35
Less: Treasury stock		
Other comprehensive income	37,315,555.64	54,481,886.51

Specific reserves		
Surplus reserves	251,800,000.00	251,800,000.00
Retained profits	3,307,203,353.63	2,587,051,422.29
Total owners' equity	5,347,081,016.62	4,644,095,416.15
Total liabilities and owners' equity	7,447,352,471.81	6,398,302,502.32

3. Consolidated income statement

Unit: RMB

Item	2016	2015
I. Total operating revenues	6,017,143,660.56	5,253,411,479.40
Including: Sales income	6,017,143,660.56	5,253,411,479.40
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	4,997,581,551.14	4,392,354,606.21
Including: Cost of sales	1,523,585,779.51	1,509,536,099.28
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	955,988,399.10	790,205,631.87
Selling and distribution expenses	1,980,127,377.89	1,557,800,618.96
Administrative expenses	556,513,607.99	543,822,606.51
Financial expenses	-30,253,967.33	-20,334,406.40
Asset impairment loss	11,620,353.98	11,324,055.99
Add: Gain/(loss) from change in fair value ("-" means loss)	-5,598.43	42,203.41
Gain/(loss) from investment ("-" means loss)	97,837,461.25	69,256,030.30
Including: share of profits in associates and joint ventures		
Foreign exchange gains ("-" means loss)		
III. Business profit ("-" means loss)	1,117,393,972.24	930,355,106.90

Add: non-operating income	41,914,946.46	44,974,004.61
Including: Gains on disposal of non-current assets	420,864.59	68,505.82
Less: non-operating expense	8,554,634.67	9,059,670.65
Including: Losses on disposal of non-current assets	6,740,484.31	1,059,201.01
IV. Total profit (“-” means loss)	1,150,754,284.03	966,269,440.86
Less: Income tax expense	300,436,186.51	250,691,071.18
V. Net profit (“-” means loss)	850,318,097.52	715,578,369.68
Net profit attributable to owners of the Company	829,630,063.38	715,578,369.68
Minority shareholders’ income	20,688,034.14	0.00
VI. After-tax net amount of other comprehensive incomes	-18,337,408.56	37,812,282.44
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-18,337,408.56	37,812,282.44
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-18,337,408.56	37,812,282.44
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-18,337,408.56	37,812,282.44
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		

4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders		
VII. Total comprehensive incomes	831,980,688.96	753,390,652.12
Attributable to owners of the Company	811,292,654.82	753,390,652.12
Attributable to minority shareholders	20,688,034.14	0.00
VIII. Earnings per share		
(I) Basic earnings per share	1.65	1.42
(II) Diluted earnings per share	1.65	1.42

Legal representative: Liang Jinhui
Changqing

Person-in-charge of the accounting work: Ye

Chief of the accounting division: Zhu Jiafeng

4. Income statement of the Company

Unit: RMB

Item	2016	2015
I. Total sales	3,308,399,250.03	3,007,068,150.18
Less: cost of sales	1,436,794,457.51	1,536,318,251.80
Business taxes and surcharges	857,620,971.74	748,278,391.57
Distribution expenses	271,599,513.92	194,497,701.34
Administrative expenses	390,774,681.63	393,964,851.14
Financial costs	-12,139,559.51	-19,235,711.99
Impairment loss	13,749,391.73	8,555,178.79
Add: gain/(loss) from change in fair value (“-” means loss)	-5,598.43	53,028.41
Gain/(loss) from investment (“-” means loss)	507,037,614.00	574,517,573.20
Including: income from investment on associates and joint ventures		
II. Business profit (“-” means	857,031,808.58	719,260,089.14

loss)		
Add: non-operating income	35,019,767.09	32,153,857.76
Including: Gains on disposal of non-current assets		
Less: non-operating expense	6,151,343.05	6,944,814.78
Including: Losses on disposal of non-current assets	6,135,718.34	494,461.74
III. Total profit (“-” means loss)	885,900,232.62	744,469,132.12
Less: Income tax expense	115,388,301.28	46,777,999.81
IV. Net profit (“-” means loss)	770,511,931.34	697,691,132.31
V. After-tax net amount of other comprehensive incomes	-17,166,330.87	37,812,282.44
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-17,166,330.87	37,812,282.44
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-17,166,330.87	37,812,282.44
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI. Total comprehensive incomes	753,345,600.47	735,503,414.75

VII. Earnings per share		
(I) Basic earnings per share	1.53	1.39
(II) Diluted earnings per share	1.53	1.39

5. Consolidated cash flow statement

Unit: RMB

Item	2016	2015
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	7,031,888,740.85	6,316,130,596.88
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	16,218,721.25	13,999,000.00
Other cash received relating to operating activities	345,789,490.57	175,581,055.15
Subtotal of cash inflows from operating activities	7,393,896,952.67	6,505,710,652.03

Cash paid for goods and services	1,761,253,852.47	1,758,283,730.78
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	1,130,548,519.54	1,000,365,212.81
Various taxes paid	2,041,224,545.61	1,872,063,119.51
Other cash payment relating to operating activities	1,277,638,226.99	1,084,889,053.92
Subtotal of cash outflows from operating activities	6,210,665,144.61	5,715,601,117.02
Net cash flows from operating activities	1,183,231,808.06	790,109,535.01
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	3,325,502,933.15	2,205,995,542.82
Cash received from return on investments	78,724,727.77	63,870,974.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,761,778.98	87,371.84
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	2,481,400.00	9,384,300.00
Subtotal of cash inflows from investing activities	3,411,470,839.90	2,279,338,189.57
Cash paid to acquire fixed assets, intangible assets and other long-term assets	172,716,601.62	237,769,057.80
Cash paid for investment	3,973,944,183.44	2,372,945,376.50
Net increase of pledged loans		

Net cash paid to acquire subsidiaries and other business units	805,830,032.45	0.00
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	4,952,490,817.51	2,610,714,434.30
Net cash flows from investing activities	-1,541,019,977.61	-331,376,244.73
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings	1,000,000.00	0.00
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	1,000,000.00	0.00
Repayment of borrowings	1,000,000.00	0.00
Cash paid for interest expenses and distribution of dividends or profit	50,360,000.00	100,720,000.00
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	104,376,537.45	0.00
Sub-total of cash outflows from financing activities	155,736,537.45	100,720,000.00
Net cash flows from financing activities	-154,736,537.45	-100,720,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-512,524,707.00	358,013,290.28
Add: Opening balance of cash and cash equivalents	1,040,373,733.07	682,360,442.79

VI. Closing balance of cash and cash equivalents	527,849,026.07	1,040,373,733.07
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6. Cash flow statement of the Company

Unit: RMB

Item	2016	2015
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	4,048,263,462.34	3,095,958,832.08
Tax refunds received	15,009,167.60	13,999,000.00
Other cash received relating to operating activities	44,493,823.06	83,789,843.81
Subtotal of cash inflows from operating activities	4,107,766,453.00	3,193,747,675.89
Cash paid for goods and services	1,629,164,465.68	1,750,534,302.48
Cash paid to and for employees	491,016,401.44	439,242,793.90
Various taxes paid	1,345,928,486.58	1,069,706,330.70
Other cash payment relating to operating activities	89,125,570.51	58,446,169.89
Subtotal of cash outflows from operating activities	3,555,234,924.21	3,317,929,596.97
Net cash flows from operating activities	552,531,528.79	-124,181,921.08
II. Cash flows from investing activities:		
Cash received from retraction of investments	3,271,955,614.05	2,152,485,489.19
Cash received from return on investments	492,653,360.82	569,743,711.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,995,766.04	
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	1,167,400.00	9,384,300.00
Subtotal of cash inflows from investing activities	3,769,772,140.91	2,731,613,500.38

Cash paid to acquire fixed assets, intangible assets and other long-term assets	157,553,414.54	219,472,454.26
Cash paid for investment	3,621,248,401.74	2,323,189,828.98
Net cash paid to acquire subsidiaries and other business units	816,000,000.00	0.00
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	4,594,801,816.28	2,542,662,283.24
Net cash flows from investing activities	-825,029,675.37	188,951,217.14
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings		
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities		
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	50,360,000.00	100,720,000.00
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	50,360,000.00	100,720,000.00
Net cash flows from financing activities	-50,360,000.00	-100,720,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-322,858,146.58	-35,950,703.94
Add: Opening balance of cash and cash equivalents	548,650,832.84	584,601,536.78
VI. Closing balance of cash and	225,792,686.26	548,650,832.84

cash equivalents		
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7. Consolidated statement of changes in owners' equity

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of the Company											Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		Minority interests
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	503,600,000.				1,294,938,493.19		54,481,886.51		256,902,260.27		2,723,798,990.11		4,833,721,630.08
Add: change of accounting policy													
Correction of errors in previous periods													
Business													

mergers under the same control												
Other												
II. Balance at the beginning of the year	503,600,000.00			1,294,938,493.19	54,481,886.51		256,902,260.27		2,723,798,990.11			4,833,721,630.08
III. Increase/decrease in the period (“-” means decrease)				467,099.06	-18,337,408.56				779,270,063.38	345,609,535.80		1,107,009,289.68
(I) Total comprehensive incomes					-18,337,408.56				829,630,063.38	20,688,034.14		831,980,688.96
(II) Capital increased and reduced by owners												
1. Common shares increased by shareholders												
2.												

Capital increased by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity														
4. Other:														
(III) Profit distribution													-50,360,000.00	-50,360,000.00
1. Appropriations to surplus reserves														
2. Appropriations to general risk provisions														
3. Appropriations to owners:													-50,360,000.00	-50,360,000.00

(or shareholders)													
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for:													

making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other				467,099.06							324,921,501.66	325,388,600.72	
IV. Closing balance	503,600,000.00			1,295,405,592.25		36,144,477.95		256,902,260.27		3,503,069,053.49	345,609,535.80	5,940,730,919.76	

2015

Unit: RMB

Item	2015												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	503,600,000.00				1,294,938,493.19			16,669,604.07		256,902,260.27		2,108,940,620.43	4,181,050,977.96
Add:													

change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	503,600,000.			1,294,938,493.	16,669,604.0		256,902,260.		2,108,940,620.			4,181,050,977.	
III. Increase/decrease in the period (“-” means decrease)					37,812,282.4				614,858,369.68			652,670,652.12	
(I) Total comprehensive incomes					37,812,282.4				715,578,369.68			753,390,652.12	
(II) Capital increased and													

reduced by owners													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Other													
(III) Profit distribution										-100,720,000.00		-100,720,000.00	
1. Appropriations to surplus reserves										0		0	

2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-100,720,000.00		-100,720,000.00
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital)													

from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV. Closing balance	503,600,000.				1,294,938,493.19	54,481,886.51		256,902,260.27		2,723,798,990.11			4,833,721,630.08

8. Statement of changes in owners' equity of the Company

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							

I. Balance at the end of the previous year	503,600,000.00				1,247,162,107.35		54,481,886.51		251,800,000.00	2,587,051,422.29	4,644,095,416.15
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	503,600,000.00				1,247,162,107.35		54,481,886.51		251,800,000.00	2,587,051,422.29	4,644,095,416.15
III. Increase/decrease in the period (“-” means decrease)							-17,166,330.87			720,151,931.34	702,985,600.47
(I) Total comprehensive incomes							-17,166,330.87			770,511,931.34	753,345,600.47
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											

2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution										-50,360,000.00	-50,360,000.00
1. Appropriations to surplus reserves											
2. Appropriations to owners (or shareholders)										-50,360,000.00	-50,360,000.00
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital)											

from capital public reserves												
2. New increase of capital (or share capital) from surplus reserves												
3. Surplus reserves for making up losses												
4. Other												
(V) Specific reserve												
1. Withdrawn for the period												
2. Used in the period												
(VI) Other												
IV. Closing balance	503,600,000.00				1,247,162,107.35		37,315,555.64		251,800,000.00	3,307,203,353.63		5,347,081,016.62

2015

Unit: RMB

Item	2015										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							

I. Balance at the end of the previous year	503,600,000.00				1,247,162,107.35		16,669,604.07		251,800,000.00	1,990,080,289.98	4,009,312,001.40
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	503,600,000.00				1,247,162,107.35		16,669,604.07		251,800,000.00	1,990,080,289.98	4,009,312,001.40
III. Increase/decrease in the period (“-” means decrease)							37,812,282.44			596,971,132.31	634,783,414.75
(I) Total comprehensive incomes							37,812,282.44			697,691,132.31	735,503,414.75
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											

2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution										-100,720,000.00	-100,720,000.00
1. Appropriations to surplus reserves											
2. Appropriations to owners (or shareholders)										-100,720,000.00	-100,720,000.00
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital)											

from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV. Closing balance	503,600,000.00				1,247,162,107.35		54,481,886.51		251,800,000.00	2,587,051,422.29	4,644,095,416.15

Anhui Gujing Distillery Co., Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2016

(All amounts are expressed, unless otherwise stated, in Renminbi (CNY).)

Note 1: Company Profile

Anhui Gujing Distillery Co., Ltd. (hereafter "the Company" or "Company") was the company limited by shares approved by Administration Bureau of State-owned Property of Anhui province following the approval WanGuoZiGongZi (1996) NO. 053 (皖国资工字(1996)第053号文), Anhui Gujing Group Co., Ltd. as the sole sponsors, established net assets in the assessment of main production operating assets of its core company Anhui Bozhou Gujing distillery 377.1677 million transferred into the 155,000,000 state-owned shares, and the registered location was the Bozhou City of People's Republic of China. The company was registered in the The People's Republic of China on 5 March 1996 and was approved by People's Government of Anhui province following the approval WanZhengMin (1996) NO.42 (皖政秘(1996)42号文). The company convoked the founding meeting on 28 May 1996, and registered on 30 May 1996 by Administration for Industry and Commerce of Anhui province. The registration number of Business License for Enterprise as a Legal Person is: 14897271-1.

The Company has been issued 60,000,000 domestic listed foreign shares (hereafter "B" shares) in June 1996 and 20,000,000 domestic listed CNY ordinary shares (hereafter "A" shares) in September 1996, the par value of ordinary shares is CNY1.00 per share. Both A share and B share are listed in Shenzhen Stock exchange.

The headquarters of the company is located in Gujing town, Bozhou city, Anhui province. The company and the subsidiaries (collectively called "Group") is mainly engaged in liquor production and sales, it belongs to the food manufacturing industry.

The original registered capital was CNY 235 million, the total amount of shares were 235 million, including state-owned shares 155 million and domestic listed foreign shares 60 million, the par value is CNY 1 per share.

On 29 May 2006, the shareholder meeting for the Company's shareholdings reform of A-share market have been discussed and approved the proposal of the shareholdings reform, and that has been implemented in June 2006. After the Company's shareholdings reform implemented, all shares of the Company became floating shares, which including 147,000,000 shares with restrict condition on disposal, represent 62.55% of total share capital, and 88,000,000 shares without restrict condition on disposal, represent 37.45% of total share capital.

On 27 June 2007, the Company issued the <Announcement of release restriction shares by Anhui Gujing Distillery Co., Ltd.>, the 11,750,000 restricted outstanding shares with restrict condition on disposal became non-restricted in stock market, and the conversion date is on 29 June 2007. Hence, outstanding shares with

restrict condition on disposal are 135,250,000 shares, representing 57.55% of total share capital, the share without restrict condition on disposal are 99,750,000 shares, representing 42.45% of total share capital.

On 17 July 2008, the Company issued the <Announcement of release restriction shares by Anhui Gujing Distillery Co., Ltd.>, the 11,750,000 restricted outstanding shares with restrict condition on disposal became non-restricted in stock market, and the conversion date is on 18 July 2008. Hence, outstanding shares with restrict condition on disposal are 123,500,000 shares, representing 52.55% of total share capital, the share without restrict condition on disposal are 111,500,000 shares, representing 47.45% of total share capital.

On 24 July 2009, the Company issued the <Announcement of release restriction shares by Anhui Gujing Distillery Co., Ltd.>, the 123,500,000 restricted outstanding shares with restrict condition on disposal became non-restricted in stock market, and the conversion date is on 29 July 2009. Hence, all shares of the Company were became outstanding shares without restrict condition on disposal.

According to the approval by China Securities Regulatory Commission (the authorization file No. zhengjianxuke[2011]943), on 15th July 2011, the Company private issued 16,800,000 shares of ordinary share (A shares) to specific investors, the par value in CNY 1 per share, and the offering price is CNY 75 per share, the funds raised amounting to CNY 1,260 million, deduct those sundry issuing charges amounting to CNY 32,500,549.73, the actual funds raised net amounting to CNY 1,227,499,450.27. The above funds have been reviewed by Reanda Certified Public Accountants Co., Ltd., and issued the Capital Verification Report (REANDA YAN ZI[2011]No.1065). After private issued, the share capital was increased to CNY 251.8 million.

According to the resolution of 2011 annual general meeting of stockholders, every 10 shares transferred to increase 10 shares by capital reserves used the base of the 251.8 million shares on 31 December, 2011, the total amount of increase by transferring were 251.8 million shares and has been implemented in 2012. After increase by transferring the registered capital was increased to CNY 503.6 million.

Up to 31 December 2016, the accumulated total amount of issued capital was 503.6 million shares, see Note 6.27.

The company registered in Gujing town, Bozhou city, Anhui province.

The approved business scope of the Company: grain procurement (operation by license), manufacture of distilled spirits, beer, red wine, facilities for wine making, packaging materials, and glass bottles, alcohol, feeds, grease (limited to the by-products from alcohol manufacture), development of high-tech, biotechnology development agricultural and sideline products deep processing, sales of goods from own production.

The parent company of the group and ultimate parent company is the Anhui Gujing Group Co., Ltd.

The financial statement is approved by the resolution of board of directors on 26 April, 2017. According to the articles of association, the financial statements will be submitted to the shareholders meeting for consideration.

The combination scope includes total 21 subsidiaries in 2016, please see Note 8 "Interest in other entities" for details. The combination scope increase 10 subsidiary than prior year and please see Note 7 "Changes of scope of consolidated financial statements" for details.

Note 2: Basis for preparation of the financial statements

The financial statements of company have been prepared on basis of going concern in conformity with Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People's Republic of China (Ministry of Finance issued order No.33, the Ministry of Finance revised order No.76) on 15 February 2006, and revised Accounting Standards (order 41 of the Ministry of Finance) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

According to the relevant accounting regulations in Chinese Accounting Standards for Business Enterprises, the company has adopted the accrual basis of accounting. Except for certain financial instruments which are measured by at fair value, the Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Note 3: Statement of compliance with Enterprise Accounting Standards

The financial statements of the company are recognized and measured in accordance with the regulations in the Chinese Accounting Standards for Business Enterprises and they give a true and fair view of the financial position, business result and cash flow of the Company as of 31 December 2016. In addition, the financial statements of the company comply, in all material respects, with the revised disclosing requirements for financial statements and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission (CSRC) in 2014.

Note 4: Significant accounting policies and accounting estimates

The company and subsidiaries are mainly engaged in liquor production and sales. The company formulates the specific accounting policies and accounting estimates for revenue recognition and other transactions and events in accordance with the actual business operation characteristics of the company and subsidiaries, and provisions of the relevant accounting standard for business enterprises, please see Note 4.23 “Revenue” for details. The description of significant account judgment and estimates made by management please see Note 4.28 “Significant accounting judgment and estimates”.

4.1 Accounting period

The accounting period of the Company is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Company is the calendar year from 1 January to 31 December.

4.2 Operating cycle

Normal business cycle is realized by the Company in cash or cash equivalents from the purchase of assets for processing until. The company has a 12 -month operating cycle, and its assets and liabilities as liquidity criteria for the classification.

4.3 Monetary Unit

Yuan (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose CNY as their functional currency. The Company adopts CNY to prepare its functional statements.

4.4 Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

4.4.1 Business combination involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

4.4.2 Business combination involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer

effectively obtains control of the acquiree.

For a business combination not involving enterprise under common control, the combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The transaction cost arose from issuing of equity securities or liability securities shall be initially recognized as equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted.

Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

Where the temporary difference obtained by the acquirer was not recognized due to inconformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from deductible temporary difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as profit of the current period.

Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 51 of "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" on the "package deal" criterion (see Note 4.5.2), to judge the multiple exchange transactions whether they are the "package deal". If it belong to the

“package deal” in reference to the preceding paragraphs of this section and the Notes described in 4.13 “long-term investment” accounting treatment, if it does not belong to the “package deal” to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income).

In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

4.5 Preparation of the consolidated financial statements

4.5.1 The scope of consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Company and all of the subsidiaries. Subsidiary is an enterprise or entity under the control of the Company.

Once the change in the relevant facts and circumstances leading to the definition of the relevant elements involved in the control of the change, the company will be re-evaluated.

4.5.2 Preparation of the consolidated financial statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening

balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements was reconciled on the basis of the fair value of identifiable net assets at the date of acquisition. Intra-Group balances and transactions, and any unrealized profit or loss arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest and the portion in the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders'/ owners' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders'/equity of the subsidiary, the excess is allocated against the minority interests.

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (ie, in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current

investment income). The retained interest is subsequently measured according to the rules stipulated in the - “Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment” or “Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments”. See Note 4.13 Long-term equity investments and Note 4.9 Financial instruments for details.

Where loss of control over a subsidiary results from multiple transactions (agreements), assessment shall be made as to whether the multiple agreements shall be viewed as a whole as a single transaction. Multiple agreements giving rise to loss of control over a subsidiary is generally viewed as a whole as a single transaction if the terms, conditions and economic implications of the multiple agreements satisfy one or more of the following conditions: 1) the agreements are entered into simultaneously or taking into account the implication of each other; 2) the business objective cannot be achieved without successful completion of all the agreements; 3) the occurrence of one agreement is dependent on the result of at least another one agreement; and/or 4) any one single agreement is not recognised as economic and the agreements as a whole is economic. Where multiple agreements do not satisfy the conditions of being viewed as a single transaction, each agreement shall be treated and accounted for in accordance with the provisions of disposal of long-term equity investments not resulting loss of control (see Note 4.13.2.4) or loss of control due to disposal of shares or other events (see the previous paragraph). Where multiple agreements satisfy the conditions of being viewed as a single transaction, each agreement shall be treated and accounted for as a transaction which results in loss of control; differences between the consideration for disposals prior to loss of control and the net assets proportionate to the shares disposed prior to loss of control are recognised as other comprehensive income in the consolidated financial statements and transferred to profit or loss at the time of loss of control.

4.6 Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture, depending of the rights and obligation of the Company in the joint arrangement. A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for joint ventures using the equity method, see Note 4.13.2.2 for details.

The company, a joint operator, recognizes in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

When the Company enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, the Company, prior to disposal of the assets to a third party by the joint operation, recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in

the joint operation. When there is evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets which is in line with provision stipulated by CAS 8, those losses are recognized fully by the Company. When there is evidence of a reduction in the net realizable value of the assets to be purchased or of an impairment loss of those assets, the Company shall recognize its share of those losses.

4.7 Cash equivalent

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

4.8 Foreign exchange

4.8.1 Translation in foreign exchange transactions

Transactions denominated in foreign currencies are translated into the functional currency using the transaction-date spot exchange rates. Where a transaction is conducted purely for the purpose of exchange one currency into another currency, the exchange rate used to translate the foreign currency into the functional currency is the exchange rate that is actually used for the currency exchange.

4.8.2 Translation of monetary foreign currency and non-monetary foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③ available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed.

Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

4.9 Financial instruments

4.9.1 Determination of financial assets and liabilities' fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Company

uses quoted price in the active market to establish its fair value. The quoted price in the active market refers to the price that can be regularly obtained from exchange market, agencies, industry associations, pricing authorities; it represents the fair market trading price in the actual transaction.

For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Company measures initially and subsequently the fair value of an interest rate swap at the value of a competitor's interest rate swap quoted by a recognised financial institution as at the Company's balance sheet date in accordance with the principle of consistency.

4.9.2 Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

4.9.2.1 Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

- A. the financial asset is acquired for the purpose of selling it in a short term;
 - B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;
 - C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.
- For such kind of financial assets, fair values are adopted for subsequent measurement.

Financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions:

- A. the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.

B. a Group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise's key management personnels. Formal documentation regarding risk management or investment strategy has prepared.

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

4.9.2.2 Investment held-to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

4.9.2.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include note receivables, account receivables, interest receivable dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

4.9.2.4 Financial assets available-for-trade

Financial assets available-for-trade include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and dividends declared by the investee during the period in which the financial assets available-for-trade are held, are recognized in investment gains.

4.9.3 Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

4.9.3.1 Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

4.9.3.2 Impairment loss on available-for-trade financial assets

Where the fair value of the equity instrument investment drops significantly or not contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

4.9.4 Recognition and measurement of financial assets transfer

The Group derecognizes a financial asset when one of the following conditions is met:

- a. the rights to receive cash flows from the asset have expired;
- b. the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or

c. the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a) the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

4.9.5 Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

4.9.5.1 Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognized in profit or loss for the current period.

4.9.5.2 Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the current period.

4.9.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged or cancelled or has expired. An agreement between the Company (an existing borrower) and existing lender to replace original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

4.9.7 Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The gain or loss caused by the fair value change of the hedging instrument which the hedging is highly efficiency will be recorded into specific period in accordance with the hedging accounting according the hedging relationship. Except for the hedging above, the resulting gain and loss of other derivatives is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

4.9.8 Offsetting financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

4.9.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognize any changes in the fair value of equity instruments.

4.10 Receivables

The receivables by the Company include account receivables, and other receivables.

4.10.1 Impairment of receivables

Receivables are assessed for impairment on balance sheet dates. An impairment allowance for receivables is recognised if any of the following is present upon assessment:

- a. significant financial difficulty of the issuer or obligor; or
- b. a breach of contract, such as a default or delinquency in interest or principal payments; or
- c. it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- d. other objective evidence indicating impairment.

4.10.2 Impairment allowance for receivables

4.10.2.1 Receivables of individual significance subject to individual assessment and the relevant impairment allowance

Individual receivables equal to or over CNY 2,000,000.00 are classified as receivables of individual significance. Receivables of individual significance are individually assessed for impairment. Receivables of individual significance assessed as non-impaired upon individual assessment are incorporated into portfolios of financial assets of similar credit risk characteristics for assessment for impairment by portfolio. Receivables of individual significance assessed as impaired upon individual assessment are no longer subject to assessment for impairment by portfolio.

4.10.2.2 Portfolios of receivables of similar credit risk characteristics and the relevant impairment allowance

A. Classification of portfolios

Receivables of individual insignificance and non-impaired receivables of individual significance upon individual assessment are classified into portfolios of financial assets on the basis of similarity and relevance of credit risk characteristics. Credit risk characteristics represent the ability of the issuers or obligors to make payments in accordance with contracts and future cash flows of the relevant assets. Evidence of portfolios :

Portfolio	Criteria
Portfolio by age	Age of receivables
Related party portfolios	Entities within the scope of the consolidation.

B. Impairment allowance for portfolios

Impairment allowance for portfolios is measured with reference to portfolio structure, credit risk characteristics (the ability of the issuers or obligors to make payments in accordance with contracts) of each portfolio, historical experience, current market economic conditions, and recognised impairment in each portfolio.

Measurement method for impairment allowance for portfolios

Portfolio	Measurement method
Portfolio by age	Age analysis method
Related party portfolios	No allowance for bad debt

a. Impairment allowance measured by age analysis

Age group	Proportion to accounts receivable (%)	Proportion to other receivables (%)
Less than 1 year (inclusive, same applies to the following)		
Including: 1 to 6 months	1.00	1.00
7 to 12 months	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

4.10.2.3 Receivables of individual insignificance subject to individual assessment

Receivables of individual insignificance are individually assessed for impairment is any of the following is present:

there is disagreement with the issuer or obligor; or are subject to litigation; or it is clearly evidential that the issuer or obligor is very likely not capable of fulfilling its commitments.

When a receivable of individual insignificance is impaired upon individual assessment for impairment, impairment loss is recognised as the excess of its carrying amount over the present value of its future cash flows and an impairment allowance of the same amount is recognised.

4.10.3 Reversal of impairment allowance for receivables

After the impairment is recognised, if events subsequent to the recognition of the impairment are objectively evidential that the impairment no longer exists, the impairment allowance and impairment loss are reversed; however, the reversal shall not cause the carrying amount of the receivable exceeds its carrying amount as at the reversal date as if no impairment allowance was recognised.

4.11 Inventories

4.11.1 Classification of inventory

The Company's inventory mainly includes raw materials, semi-finished product, work-in-progress and finished products.

4.11.2 Costing of inventories

Inventories are initially carried at the actual cost. Cost of inventories includes purchase cost, conversion cost and other cost. Cost of issue is measured using the weighted average method.

4.11.3 Determination of net realisable value of inventories and impairment allowance for inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding

inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories,

provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

4.11.4 Physical inventories are managed by the perpetual inventory taking system.

4.11.5 Amortisation of low value consumables and packaging materials

Low value consumables and packaging materials are fully amortised at the time of issuance.

4.12 Held-for-sale assets

A non-current asset is classified as held-for-sale if all of the following conditions are satisfied:

- a. the asset is immediately sellable at its current condition per usual sales term applicable to the type of assets to which it belongs;
- b. the Company's has completed official decision to dispose the asset;
- c. the Company has entered into irrevokable sales contract with the purchaser; and
- d. the sales will be completed within one year.

Amortisation or depreciation of the held-for-sale asset ceases at the time of classification. The asset is measured at the lower of its book value and its classification date fair value minus disposal costs upon classification. Held-for-sale non-current assets include individual assets and disposal groups. If a disposal group satisfy the conditions of the asset group defined by CAS 8 - Asset Impairment and includes goodwill arising from business combination allocated in accordance with CAS 8 or the disposal group is an operation with an asset group, the disposal group include goodwill arising from business combination.

Individual non-current assets held for sale and assets of disposal groups held for sale are collectively presented on the (consolidated) statement of financial position as a line item of current assets. Liabilities of disposal groups held for sale are collectively presented on the (consolidated) statement of financial position as a line item of current liabilities.

A held-for-sale asset or held-for-sale disposal group is reclassified from held-for-sale when the conditions for

classification of the asset (disposal group) as held-for-sale are no longer satisfied and is measured at the lower of its classification date book value minus cumulative depreciation, amortisation and impairment as if it has not been reclassified as held-for-sale and its recoverable amount as of the date on which the conditions for classification of the asset (disposal group) as held-for-sale are no longer satisfied.

4.13 Long-term equity investments

Long-term equity investments in this section refers to the long-term investment through which the Company has control, joint control, or material influence on the investee. Long-term equity investments through which the Company does not have control, joint control or material influence on the investee shall be recognised as available-for-sale financial assets or financial assets measured by fair value with changes in fair value recognised in profit or loss. See Note 4.9 for details.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4.13.1 Determination of Investment cost

Long-term equity investment acquired through business combination under common control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the initial cost and cash paid, non-monetary assets transferred and liabilities assumed by is adjusted to capital reserves, and to retained earnings if capital reserves are insufficient. If the consideration is paid by issuing equity instruments, the initial cost is measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements, with the face value of the equity instruments issued recognised as share capital and the difference between the initial cost and the face value of the equity instruments issued adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. For business combination involving entities under common control achieved through multiple transactions (acquisition in stages), the multiple agreements are assessed to determine whether they should be viewed as a lump-sum purchase. Where multiple agreements of an acquisition in stages are viewed as a lump-sum purchase, the transactions are viewed as one transaction that acquire the control power. Where multiple agreements of an acquisition fail the conditions of a lump-sum purchase, long-term equity investment acquired through business combination under common control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the initial cost, and the book value of the long-term equity investment before combination date and considerations paid to acquire new shares on the combination date, is adjusted to capital reserves, and to retained earnings if capital reserves are insufficient.

Long-term equity investment acquired through business combination not under common control is measured at

combination cost on the combination date. The combination cost includes assets contributed by the purchaser, liabilities incurred or assumed by, and fair value of the equity instruments issued by the acquirer. For business combination involving entities not under common control achieved through multiple transactions (acquisition in stages), the multiple agreements are assessed to determine whether they should be viewed as a lump-sum purchase. Where multiple agreements of an acquisition in stages are viewed as a lump-sum purchase, the transactions are viewed as one transaction that acquire the control power. Where multiple agreements of an acquisition fail the conditions of a lump-sum purchase, long-term equity investment acquired through business combination not under common control are measured at the sum of the original book value of the equity investment on the investee and the new investment cost, which is regarded as the new initial cost of the long-term investment when transferred to cost method. If the original equity is measured by equity method, not accounting treatment is applied to relevant other comprehensive income temporarily.

Audit, legal services, valuation, and other directly associated administrative expenses incurred by the acquirer are recognised in profit or loss on the transaction dates.

Long-term equity investments acquired not through business combination are measured at cost on initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. When the Company increase investment to have material influence or joint control, but not control over the investee, long-term investments are measured at the sum of fair value of initial equity investment and cost of new investment as defined in CAS22-Recognition and Measurement of Financial Assets.

4.13.2 Subsequent measurement and recognition and measurement of gain or loss

Where a long-term equity investment gives the Company either joint control or significant influence over the respective investee, the investment is subsequently measured using the equity method.

Where a long-term equity investment gives the Company control over the respective investee, the investment is subsequently measured at cost.

4.13.2.1 Long-term equity investments measured at cost

A long-term equity investment is measured at cost of investment, excluding declared cash dividends or profit pending distribution included in the consideration paid. Investment income for the relevant period from a long-term equity investment measured at cost is recognised as the Company's share of the cash dividends or profit declared for distribution by the investee.

4.13.2.2 Long-term equity investments measured using the equity method

When the cost of a long-term equity investment measured using the equity method on initial recognition exceeds

the Company's share of the fair value of the respective investee's net identifiable assets, no adjustment is made to the cost of the investment for the excess. When the Company's share of the fair value of an investee's net identifiable assets exceeds the cost of the respective long-term equity investment measured using the equity method on initial recognition, adjustment is made to the cost of the investment for the difference and the difference is carried to profit or loss for the period during which the investment is recognised.

Investment income or loss and other comprehensive income for the relevant period from a long-term equity investment measured using the equity method is measured at the Company's share of the net profit or loss and other comprehensive income of the respective investee for the relevant period, and the book value of long-term equity investments is adjusted accordingly. If the investee declares profit distribution or cash dividends, long-term equity investments are reduced by the Company's share of declared profit distribution or cash dividends in the investee. Long-term equity investments will be adjusted and capital reserves are recognised with variations other than net profit or loss, other comprehensive income, and profit distribution. When computing the Company's share of the net profit or loss of the investee for the relevant period, net profit or loss of the investee for the relevant period is adjusted, if necessary, for the fair value of the investee's identifiable assets and identifiable liabilities on acquisition and the Company's accounting policies and accounting period. Investment income and other comprehensive income is recognised accordingly. The computation of the Company's share of the net profit or loss of the investee for the relevant period also eliminates unrealised profit and loss arising from transactions between the Company and the investee (a joint venture or associate, whichever is applicable) and contributing or selling assets to the investee which forms an operation, to the extent of the Company's share calculated by the Company's shareholding in the investee for the relevant period, except for the unrealised loss resulted from impairment of transferred assets. When contributing assets to the joint venture or associate by the Company forms an operation and the investor acquires the long-term equity investment without control, long-term equity investments are measured at fair value of the contributed operations, with the difference between initial investment cost and book value of the contributed operation fully recognised in profit or loss for the period. When selling assets to the joint venture or associate by the Company forms an operation, the difference between considerations received and book value of the operation is fully recognised in profit and loss for the period. When purchasing assets from the joint venture or associate by the Company belongs to an operation, income and losses are fully recognised as specified in CAS20-Business Combination.

When the Company's share of an investee's net loss exceeds the sum of the carrying amount of the respective long-term equity investment measured using the equity method and other investments in the investee, the carrying amount of the long-term equity investment and other investments in the investee is reduced to zero. If the Company is obliged to share loss of the investee after its long-term equity investment and other investments have been reduced to zero, an investment loss and provision is recognised to the extent of the estimated obligation. If the investee reports profit in subsequent periods, the Company only recognises its share of profit

after its share of profit equals the share of loss not recognised.

For long-term equity investments in associates and joint ventures which had been held by the Company before its first time adoption of new accounting standards, where the initial investment cost of a long-term equity investment exceeds the Company's share in the investee's net assets at the time of acquisition, the excess is amortised and is recognised in profit or loss on a straight line basis over the original remaining life.

4.13.2.3 Acquisition of minority interests

If minority interests in an investee is acquired by the Company, during the Company's preparation of the consolidated financial statements, the difference between the Company's cumulative share of the investees net assets calculated on the basis of the new shareholding in the investee from the acquisition date (or combination date) and the Company's investment in the investee following the minority interest acquisition is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient.

4.13.2.4 Disposal of long-term equity investments

On the consolidated financial statements, when partly disposal of a long-term equity investment in a subsidiary which does not cause loss of control over the subsidiary, the difference between the consideration for disposal and the net identifiable asset given away proportionate to the disposed shares in the subsidiary is recognised in equity; partly disposal of a long-term equity investment in a subsidiary which cause loss of control over the subsidiary is accounted for in accordance with Note 4.5.2.

The difference between the consideration for disposal of long-term equity investments and the carrying amount of the long-term equity investments disposed is recognised in profit or loss for the period during which the investments are disposed.

When a long-term equity investment measured using the equity method is disposed and the residual equity after disposal is still measured using equity method, the respective cumulative other comprehensive income recognised in equity proportionate to the disposed investment shall adopt the same accounting treatment as the investee disposes relevant assets or liabilities directly. Movement in investee's equity other than changes in net profit or loss, other comprehensive income, and profit distribution is recognised in profit or loss proportionally.

When a long-term equity investment measured using the cost method is disposed and the residual equity after disposal is still measured using cost method, other comprehensive income, which is recognised by equity method or recognition and measurement applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the the investee disposes relevant assets or liabilities directly on the date of loss of control, and profit or loss is recognised proportionally. Movement in investee's equity other than changes in net profit or loss, other comprehensive income, and profit distribution is recognised in profit or loss proportionally.

Where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment is

measured by equity method in the Company's separate financial statements; where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and book value of the remaining investment at the date of loss of control is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment, which is recognised by equity method or recognition and measurement principles applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the the investee disposes relevant assets or liabilities directly on the date of loss of control, The investee's equity movement other than changes in net profit or loss, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss when control is lost. Where the remaining investment is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned other comprehensive income and other equity movement are fully recognised in profit or loss.

Where the Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment, which is recognised by equity method or recognition and measurement principles applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the the investee disposes relevant assets or liabilities directly on the date of loss of control, The investee's equity movement other than changes in net profit or loss, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss when control is lost.

Where the Company's control over an investee is lost through multiple disposals and the multiple disposals can be viewed as a lum-sum transaction, the multiple disposals is accounted for one single transaction which results in the Company's loss of control over the investee. Difference between the consideration received and the book value of the investment disposed at each time of disposal is recognised in other comprehensive income and reclassified in full to profit or loss at the period when control over the investee is lost.

4.14 Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. Investment property is

initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditure in the profit or loss when it incurred.

The Group uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note 20 "Non-current and non-financial assets impairment".

Occupied real estate for investment property or investment property is transferred to owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

Investment property change into the Owner-occupied real estate, since the change of date for the investment property is transferred to fixed assets or intangible assets. Change the owner-occupied property held to earn rentals or for capital appreciation, since the change of date, the fixed assets or intangible assets to investment property. Conversion occurs when converted to investment property using the cost model, as the book value before the conversion of the recorded value after the conversion; converted to investment property measured at fair value model, the fair value of the conversion date as the recorded value after conversion.

Derecognised when the investment property is disposed of or permanently withdrawn from use and the expected economic benefits can not be obtained from the disposal of investment property. Proceeds on disposal of investment property is sold, transferred, retired or damaged through profit or loss after deducting the book value and related taxes.

4.15 Fixed assets

4.15.1 Definition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year.

4.15.2 Depreciation of fixed assets

Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement. From the following month of state of intended use, depreciation method of the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

Category	Expected useful life	Estimated residual value (%)	Depreciation (%)
Houses and building	8.00-35.00	3.00-5.00	2.70-12.10
Machineries	5.00-10.00	3.00-5.00	9.50-19.40
Vehicles	4.00	3.00	24.25
Administrative equipment and others	3.00	3.00	32.33

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

4.15.3 Assessment for impairment and impairment allowance

Impairment and provisions of fixed assets are disclosed on Note 4.20 Impairment of non-current and non-financial assets.

4.15.4 Recognition and measurement of fixed assets held under financial lease

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

4.15.5 Other relevant information

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

4.16 Construction in progress

The cost of construction in progress is measured at the actual expenditure incurred, including construction expenditure and capitalisation of borrowing costs and other applicable costs incurred prior to the completion. An item of construction in progress is reclassified to fixed asset upon completion.

See Note 4.20 for details of assessment for impairment of construction in progress and impairment allowance for construction in progress.

4.17 Borrowing costs

Borrowing costs include interests on loans, amortisation of discount or premium, ancillary expenses, and foreign exchange difference on loans denominated in foreign currencies. Borrowing costs directly associated with the acquisition of construction of a qualifying asset are eligible for capitalisation. Capitalisation starts when

expenditure on the qualifying asset is incurred, borrowing costs are incurred, or production or construction of the qualifying asset for its intended use or sales is started, whichever is later. Capitalisation stops when the qualifying assets reach the condition of its intended use or sales. All other borrowing costs are recognised in profit or loss for the period during which they are incurred.

When a loan is taken out specifically for the construction of a particular qualifying asset, the interest expense capitalised for a particular period is the residual amount after deducting interest income from unused facilities for the period and/or income from temporary investment of the unused facilities for the period from the interest expense incurred for the period. Borrowing costs on general purpose financing is calculated by multiplying the weighted average of the excess of cumulative capital expenditure over the designated financing facilities with the capitalisation rate of general purpose financing. Capitalisation rate of general purpose financing is calculated as the weighted average of the interest rates of general purpose financing.

Foreign exchange difference on designated financing denominated in foreign currencies incurred during the capitalisation period is wholly capitalised. Foreign exchange difference on general purpose financing denominated in foreign currencies is recognised in profit or loss for the period during which it is incurred.

A qualifying asset is an item of fixed assets, investment property, inventories, etc. which requires substantial period of time for the construction or production for its intended use or sales.

If the construction or production of a qualifying asset stops for a period longer than three months, capitalisation of borrowing costs is suspended until the construction or production is resumed.

4.18 Intangible assets

4.18.1 Intangible asset

An intangible asset is an identifiable non-monetary asset without a physical form which is owned or control by the Company.

Intangible assets are measured at cost on initial recognition. If it is probable that economic benefits associated with expenditure directly associated with an item of intangible assets will flow to the Company and the cost of the expenditure can be reliably measured, the expenditure is measured as part of the intangible asset's initial cost; all other expenditure is recognised in profit or loss for the period during which it is incurred.

Land use rights acquired are generally recognised as intangible assets. In the case of self-constructed building, the costs of acquiring the respective land use right(s) and the costs of building construction are separately recognised and measured as intangible assets and fixed assets respectively. In the case of purchased building, the costs of acquisition are allocated to land use right(s) and building; if the reasonable allocation is impossible, the costs of acquisition as a whole are recognised and measured as fixed assets.

For an item of intangible assets which is with a finite useful life, the residual amount after deducting its estimated residual value and previously recognised impairment from its cost is amortised over its estimated remaining useful life using the straight-line method starting from the month in which it reaches the conditions of

its intended use of sales. Intangible assets with infinite useful life are not amortised.

Useful lives of intangible assets are reviewed on each balance-sheet date. If circumstances indicate that there is a change in the useful life of an item of intangible assets with a finite useful life, a change in accounting estimates is carried out. If circumstances indicate that the useful life of an item of intangible assets with infinite useful life becomes finite, the useful life of the intangible asset is estimated and the intangible asset is amortised accordingly.

4.18.2 Research and development expenditure

A research and development project is divided into research stage and development stage.

Expenditure incurred during the research stage is recognised in profit or loss for the period during which it is incurred.

Expenditure incurred during the development stage is recognised as intangible assets if all of the following conditions are satisfied:

- a. it is technically feasible to complete the intangible asset so that it can be used or sold; and
- b. the Company has clear intention to complete the intangible asset and to use it or sell it; and
- c. it is evidential that the intangible asset will generate economic benefits either by selling the intangible asset itself or the goods produced by the intangible asset or by using it internally; and
- d. there are sufficient technical, financial and other resources to complete the intangible asset and the Company is able to use it or sell it, and
- e. expenditure incurred in the development stage of the intangible asset can be reliably measured.

Where a research and development project cannot be separated into the research stage and development stage, all expenditure incurred for the project is recognised in profit or loss for the period during which it is incurred.

4.18.3 Assessment for impairment and impairment allowance

See Note 4.20 for details of assessment for impairment of intangible assets and impairment allowance for intangible assets.

4.19 Deferred charges

An item of deferred charges is an expense incurred which brings economic benefits to the Company for a period exceeding one year starting from transaction date. An item of deferred charges is amortised over its estimated useful life using the straight-line method.

4.20 Impairment of non-current assets

Non-current non-monetary assets, such as fixed assets, construction in progress, intangible assets with finite useful life, investment property measured by cost, and long-term equity investments in subsidiaries, joint ventures and associates, are assessed for impairment on each balance-sheet date. If circumstances on a balance-sheet date indicate that a non-current non-monetary asset is impaired, the recoverable amount of the

asset is estimated. The recoverable amounts of goodwill, intangible assets with infinite useful life and intangible assets which have not yet reached the conditions of their intended use or sales are estimated at least once a year regardless of whether there is indication of impairment.

If the carrying amount of a non-current non-monetary asset exceeds its estimated recoverable amount, the excess of the carrying amount over the estimated recoverable amount is recognised as impairment allowance and an impairment loss of the same amount is recognised. The estimated recoverable amount of an asset is the higher of the residual amount after deducting disposal expense of the asset from its fair value and the present value of its future cash flows. Where there is a sales contract for an asset and the contract is entered into for an arm's length transaction, the fair value of the asset is the contract price; where there isn't a sales contract for an asset but there is an active market for it, the fair value of the asset is price offered by the buyer; where there is neither a sales contract nor an active market for an asset, the fair value of the asset is best estimate based on all available information. The disposal cost of an asset includes legal expenses, applicable taxes and fees and transportation costs directly associated with the asset's disposal and all direct costs necessary to bring the asset to its sellable condition. The present value of an asset's future cash flows is calculated by multiplying the cash flows arising from continual use of the asset and its disposal by an appropriate discount rate. Impairment allowance is generally calculated on the basis of individual assets. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a cash-generating unit to which the asset belongs is estimated. A cash-generating unit is the smallest combination of assets that is capable of cash flow generation.

Goodwill separately presented on the (consolidated) financial statements is allocated to cash-generating units or groups of units that are expected to benefit from the synergy of business combination for impairment testing. Where the recoverable amount a cash-generating unit (or group of units) is lower than its carrying amount, an impairment loss is recognised. The impairment loss is firstly allocated to the goodwill allocated to the unit (or group of units) and then to individual assets pro rata on the basis of the carrying amount of each asset in the unit (or group of unites)

Impairment loss recognised in accordance with this section is irreversible in subsequent periods.

4.21 Employee Benefits

The employee benefits of the company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits includes wages, bonuses, allowances and subsidies, welfare, health insurance , maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits and etc. Short-term employee benefits are recognised as liabilities and profit or loss account or the costs associated with the asset during the accounting period when employees actually provide services. The non -monetary benefits are measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plan which includes the basic pension, unemployment insurance and annuities shall be recognised as cost of related assets or profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this company, a provision shall be recognised for the compensation arising from the termination of employment relationship with employees at the time when the Company can not unilaterally withdraw layoff proposal termination benefits provided due to termination of employment, or the company ensures the costs related to the payment for termination benefits related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits can not be fully paid after twelve months of the reporting date the liability shall be processed in accordance with other long-term employee benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirement shall be recognised in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the company to employees that is in line with defined contribution plans shall adopt the accounting treatment in accordance with defined contribution plans, otherwise the accounting treatment of defined benefit plans.

4.22 Provisions

A contingent liability is recognised as provision if all or the following conditions are satisfied:

- a. it is a present obligation assumed by the Company; and
- b. it is probable that the fulfillment of the obligation will cause economic benefit flows from the Company; and
- c. the amount of the obligation can be reliably measured.

A provision is measured on a balance-sheet date as the best estimate of the amount that is required for the fulfillment of the present obligation after taking into account of the risks and uncertainty associated with the respective contingent events and the time value of money.

If the amount required for settlement of a provision is wholly or partly reimbursed by a third party, the reimbursement is recognised separately as an asset to the extent of the carrying amount of the provision if it is probable that the reimbursement becomes receivable.

4.23 Revenue

4.23.1 Revenue from sales of goods

Revenue arising from sales of goods are recognised if all of the following conditions are satisfied: significant risks and rewards attached to the ownership of the goods have been transferred to the buyer; and the Company neither retains continual involvement with management generally associated with the ownership of the goods nor exercise effective control over the goods sold; and the amount of revenue can be reliably measured; and it

is probable that economic benefits arising from the sales will flow to the Company; and expenses incurred or to be incurred associated with the goods sold can be reliably measured.

Revenue arising from domestic sales of goods is recognized when goods are dispatched and delivered to the buyer, when significant risks and rewards attached to the ownership of the goods sold are passed to the buyer, when neither continual involvement in the rights normally associated with the ownership of the goods sold nor effective control over the goods controls are retained, when revenue arising from the goods sold is reliably measurable, when inflow of future economic benefits is probable, and when cost incurred or to be incurred associated with the goods sold is reliably measurable. Revenue arising from non-domestic sales of goods is recognized when goods are loaded on board and when the export clearance with the custom is completed.

4.23.2 Revenue from rendering of services

When the outcome of service rendered can be reliably estimated, revenue arising from rendering of the service is recognised based on percentage of completion on the respective balance-sheet date. The percentage of completion of service rendered is determined by the proportion that costs incurred to date bear to the estimated total costs.

The outcome of service rendered can be reliably estimated if all of the following conditions are satisfied: a. the amount of revenue can be reliably measured; b. it is probable that associated economic benefits will flow to the Company; c. the percentage of completion of service rendered can be reliably measured; and d. costs incurred to date and to be incurred can be reliably measured.

When the outcome of service rendered cannot be reliably estimated, revenue is recognised to the extent that costs incurred to date and to be incurred are expected to be reimbursed and costs incurred to date are recognised in profit or loss for the periods during which they are incurred. When costs incurred are not expected to be reimbursed, no revenue is recognised.

If a contract entered into by the Company and a counter party involves both sales of goods and rendering of services and revenue arising from goods sold and services rendered can be distinguished, revenue from sales of goods and rendering of services are separately accounted for; if, however, revenue arising from goods sold and services rendered cannot be distinguished or can be distinguished but cannot be separately measured, all revenue is accounted for as revenue arising from sales of goods.

4.23.3 Royalty income

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

4.23.4 Interest income

Interest income is determined by the length of time over which the Company's finance resources are used by other parties using the effective interest rate method.

4.24 Government Grants

A government grant is a transfer of monetary and non-monetary assets from the government to the Company for

no consideration, excluding resources transferred to the Company by the government in the capacity of shareholder. Government grants include grants related to assets and grants related to income.

Government grants obtained by the Company which are relevant to construction or acquisition of long-term assets are classified as asset-related government grants; all other government grants are classified as revenue-related government grants. For government grants without specified beneficiary, the Company performs classification in accordance with the following criteria.

- a. Where a grant is obtained for a specified project, the grant is split into asset-related and revenue related portions proportionate to the project's investment to expense ratio; the classification is reviewed on each balance sheet date and revised if necessary.
- b. Where a grant is obtained for general purpose, the grant as a whole is classified as a revenue-related government grant.

If a government grant is in the form of monetary assets, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary assets, it is measured by fair value of the assets; if the fair value of the assets granted cannot be reliably measured, the grant is measured by nominal value of the assets and is recognised immediately in profit or loss for the relevant period.

In general, the Company recognises a government grant when it is actually received and measures at the amount actually received. However, a government grant may be recognised as receivable if it is objectively evidential on the reporting date that conditions for the grant receipt are satisfied and that the grant is receivable.

A government grant is recognised as receivable if all following conditions are satisfied:

- a. the amount of the grant is expressly stipulated in official publication by the authorised governmental agency or can be reasonably estimated in accordance with fiscal pronouncement issued by the authorised governmental agency and the estimate is not subject to significant uncertainty;
- b. the grant is officially disclosed as part of publicly disclosed fiscal subsidised projects by the local fiscal government bodies in accordance with the Government Information Disclosure Directives and is managed in accordance with the fiscal plan published and the management of the grant if not entity specific, ie. every eligible entity is entitled to apply;
- c. the term for payment is expressly stipulated in the official pronouncement and the payment is backed by fiscal planning so that it is reasonable to expect receipt within the term of the payment; and
- d. other conditions (in applicable) need to be satisfied taking into account the Company's circumstances.

Grants related to assets are recognised as deferred income and amortised over the useful life of the relevant assets using the straight-line method. A grant related to income is recognised as deferred income if it is related to expenses or loss to be incurred in the future and is carried to profit or loss for the period during which the relevant expenses or loss are recognised; it is recognised in profit or loss for the period during which it is received or becomes receivable if it is related to expenses or loss already incurred.

Where a recognised grant becomes repayable, the amount repayable is firstly charged to the remaining deferred income (if any); the remaining amount after charge to deferred income is recognised in profit or loss for the period during which it becomes repayable.

4.25 Deferred tax assets and deferred tax liabilities

4.25.1 Current income tax

The current income tax liability (asset) on a balance-sheet date is measured at the amount of current income tax payable (receivable) computed in accordance with the relevant tax law. Current income tax expense is computed on the basis of taxable profit (loss) which is the amount after the adjustment of the relevant accounting profit (loss) in accordance with the relevant tax law.

4.25.2 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognised on an accrual basis for the temporary difference between the carrying amounts of assets and liabilities and their tax bases and the temporary difference arising from difference in recognition criteria for assets and liabilities between CAS and relevant tax provisions.

No deferred tax liability is recognised for the taxable temporary difference arising from the initial recognition of goodwill and the initial recognition of assets and liabilities acquired or assumed resulting from transactions which are not business combination and which do not have impact on both accounting profit and taxable profit (deductible tax loss) at the time of their occurrence. Similarly, deferred tax liability is not recognised for taxable temporary difference associated with investments in subsidiaries, associates and joint ventures if the Company can control the reverse of the temporary difference and it is probable that the temporary difference is not expected to reverse in the foreseeable future. Except for the circumstances described hereabove, deferred tax liability is recognised for all other taxable temporary difference.

No deferred tax asset is recognised for the deductible temporary difference arising from the initial recognition of assets and liabilities acquired or assumed resulting from transactions which are not business combination and which do not have impact on both accounting profit and taxable profit (deductible tax loss) at the time of their occurrence. Similarly, deferred tax asset is not recognised for deductible temporary difference associated with investments in subsidiaries, associates and joint ventures if the Company can control the reverse of the temporary difference and it is probable that the temporary difference is not expected to reverse in the foreseeable future. Except for the circumstances described hereabove, deferred tax asset is recognised for all other deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax asset is recognised for deductible tax loss and tax credit carrying forward to the extent that it is probable that taxable profit will be available against which the deductible tax loss and tax credit carrying forward can be utilised.

Deferred tax assets and deferred tax liabilities are measured on a balance-sheet date on the basis of tax rates

expected to be applicable in accordance with relevant tax law at the time when the relevant assets are recovered or relevant liabilities settled.

The carrying amount of deferred tax assets is reviewed on each balance-sheet date. If it is probable that insufficient taxable profit is available to utilise the deferred tax assets, the carrying amount of deferred tax assets is reduced. When it is probable that sufficient taxable profit becomes available after the carrying amount of deferred tax assets has been reduced, the reduction is reversed.

4.25.3 Income tax expenses

Income tax expenses include current income tax expenses and deferred income tax expenses.

All current income tax expenses (credit) and deferred income tax expenses (gains) are recognised in profit or loss for the relevant period except for a. current income tax and deferred income tax on transactions and events which are accounted for in other comprehensive income or directly in equity, which are included in other comprehensive income or directly recognised in equity depending on the treatment of its underlying transactions and events, and b. deferred income tax arising from business combination, which is accounted for as an adjustment to the carrying amount of the respective goodwill.

4.25.4 Offsetting of income tax

A current income tax liability and current income tax asset are presented on (consolidated) financial statements after netting only if the Company is permitted by law to settle the asset and liability net in cash and is planning to do so or to simultaneously recover the asset and settle the liability.

A deferred tax asset and deferred tax liability are presented on (consolidated) financial statements after netting only if all of the following conditions are satisfied: the Company is permitted by law to settle the current asset and liability related to an income tax net in cash; and the deferred tax asset and deferred tax liability arising from that income tax is levied by the same tax authority on the same entity or on different entities but the relevant entities are planning to settle the underlying income tax net in cash or simultaneously recover the relevant assets and settle the relevant liabilities during each future period during which significant deferred tax assets and deferred tax liabilities are reversed.

4.26 Lease

A financial lease is a lease which in substance transfers all risks and rewards attached to the ownership of the leased asset to the lessee although the ownership of the leased asset ultimately may or may not be transferred.

An operating lease is any lease that does not fall within the meaning of a financial lease.

4.26.1 Operating lease to which the Company is the lessee

Lease payments for a operating lease to which the Company is the lessee is amortised over the lease term using the straight-line method and recognised in the cost of the relevant asset or as expense, whichever is applicable. Initial expenses incurred for activities directly attributable to the lease are recognised in profit or loss for the period during which they are incurred. Contingent rental payments are recognised in profit or loss when they are incurred.

4.26.2 Operating lease to which the Company is the lessor

Rental income from an operating lease to which the Company is the lessor is amortised over the lease term using the straight-line method. Significant initial expenses incurred for activities directly attributable to the lease are capitalised at the time when they are incurred and amortised over the lease term in the same manner as the amortisation of rental income; insignificant expenses initial expenses incurred for activities directly attributable to the lease are recognised in profit or loss for the period during which they are incurred. Contingent rental income is recognised in profit or loss when it is received or becomes receivable.

4.26.3 Financial lease to which the Company is the lessee

At the commencement of a financial lease to which the Company is the Lessee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognised as the cost of the leased asset; the minimum lease payment is recognised as a long-term payable; and the excess of the long-term payable over the amount recognised as the cost of the leased asset is recognised as unrecognised lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognised as part of the cost of the leased asset. The residual amount after deducting the unrecognised lease expenditure from the long-term payable is divided into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease expenditure is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease expense in profit or loss for the relevant period. Contingency lease rental is recognised in profit or loss when it is incurred.

4.26.4 Financial lease to which the Company is the lessor

At the commencement of a financial lease to which the Company is the lessor, the sum of the minimum lease rental receivable and the initial expenses incurred for activities directly attributable to the lease is recognised as the initial amount of the respective financial lease rental receivable; unguaranteed residual value is recorded, if any; the excess of the present value of the sum of the minimum lease rental receivable, the initial expenses incurred for activities directly attributable to the lease and the unguaranteed residual value over the sum itself is recognised as unrecognised lease income. The residual amount after deducting the unrecognised lease income from the financial lease rental receivable is divided into non-current receivable and non-current receivable due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease income is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease income in profit or loss for the relevant period. Contingency lease rental income is recognised in profit or loss when it is received or becomes receivable.

4.27 Changes in major accounting policies and accounting estimates

4.27.1 Change of accounting policies

There is no significant change of accounting policies for the company during the reporting period.

4.27.2 Change of accounting estimates

There is no significant change of accounting estimates for the company during the reporting period.

4.28 Significant account judgment and estimates

During the application of accounting policies, judgements, estimates and presumption need to be made for elements of financial statements which cannot be precisely measured due to inherent uncertainty existing in operation activities. The judgements, estimates and presumption are made on the basis of the Company's past experience and other relevant factors. The exercise of judgements, estimates and presumption has impact on the measurement of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance-sheet date. However, the inherent uncertainty of the judgements, estimates and presumption may result in future significant adjustments to be made to the measurement of the affected assets and liabilities.

The judgements, estimates and presumption are reviewed regularly on the basis of going concern. Where a change in accounting estimates is applicable, its impact on financial statements is recognised in the period during which the change occurs if the change has impact on the financial statements for that period only; and in subsequent periods if the change also has impact on the financial statements for subsequent periods.

Significant elements of financial statements and areas that are subject to judgements, estimates and presumption on the balance-sheet date include the following.

4.28.1 Classification of lease

The Company classifies leases as operating lease and financing lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21--Leasing. The management shall make analysis and judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

4.28.2 Recognition of impairment allowance for receivables

In accordance with accounting policies applicable to receivables, loss arising from impairment of receivables is accounted for by allowance. Impairment of receivables are assessed on the basis of the collectability of receivables and the assessment requires judgements and estimates exercised by the management. Difference between actual results and the estimates will have impact on the carrying amount of receivables and the recognition and reverse of impairment allowance for receivable for the period during which the estimates are changed.

4.28.3 Recognition of impairment allowance for inventories

In accordance with accounting policies applicable to inventories, impairment allowance for inventories is recognised for inventories of which the carrying amount exceeds the net realisable value and inventories which

are obsolete or have impaired salability. Loss arising from impairment of inventories is measured on the basis of the salability and net realisable value of the respective inventories. Judgements and estimates regarding impairment allowance for inventories require conclusive evidence obtained by the management and consideration of the purpose of inventory holding, impact of post balance-sheet-date events and other relevant factors. Difference between actual results and the estimates will have impact on the carrying amount of inventories and the recognition and reverse of impairment allowance for inventories for the period during which the estimates are changed.

4.28.4 Fair value of financial instruments

Fair value of financial instruments which are not quoted in an active market are measured by valuation techniques such as the discounted cash flow model, etc. Estimates of future cash flows, credit risks, market movement and relevance and choice of the appropriate discount rates are required for the measurement. Inherent uncertainty is inevitable in making these estimates and the change of estimates will have impact of the fair value of the respective financial instruments.

4.28.5 Impairment of financial assets available-for-sale

Impairment of available-for-sale financial assets and hence recognition of impairment loss recognised in profit or loss general depend on estimates and presumption made by the management. In making the judgements and estimates, the Company assesses the extent and duration that the cost of an available-for-sale financial asset exceeding its fair value and considers the investee's financial position and short-term prospects, including factors such as industry environment, technology advances, credit rating, default rates, and risks faced by peer entities.

4.28.6 Impairment of non-financial, non-current assets

Non-current assets are assessed for indication of impairment on each balance-sheet date. In addition, intangible assets with infinite useful life are subject to impairment testing on each balance-sheet date and whenever there is evidence indicating impairment; other non-financial non-current assets are subject to impairment testing only if there evidence indicating that the carrying amount becomes non-collectible.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is higher of the residual amount after deducting necessary expenses for disposal from its fair value and the present value of its future cash flows.

An asset's residual amount after deducting necessary expenses for disposal is determined by reference to the residual amount after deducting the incremental costs to dispose the asset from the selling price provided by contracts for sales of similar assets or the observable market price of similar assets.

When estimating the present value of future cash flows of an asset or cash-generating unit, significant judgements have to be made regarding the production capacity, selling price, relevant operating costs of the asset or cash-generating unit and relevant discount rates for discounting the cash flows. The Company considers all available relevant information when determining the recoverable amount, including estimates regarding future

production capacity, selling price and relevant operating costs made on the basis of reasonable and supportive presumption.

Goodwill is assessed for impairment at least annually. The assessment involves estimate of the present value of the future cash flows associated with the assets or groups of assets to which goodwill has been allocated. The estimate takes into account the future cash flows associated with the assets or groups of assets to which goodwill has been allocated and the applicable discount rates for cash flow discounting.

4.28.7 Depreciation and amortization

Investment property, fixed assets and intangible assets are depreciated (amortised) over their useful lives using the straight-line method after taking into account of their residual value. Useful lives of these assets are reviewed regularly for the purpose of determining the depreciation and amortisation recognised for each period. Useful lives are determined on the basis of the Company's past experience on similar assets and expected new technology development. If existing estimates change significantly, adjustment is made to the depreciation and amortisation for future periods.

4.28.8 Deferred tax assets

All unutilised tax loss are recognised as deferred tax assets to the extent it is probable that taxable profit will be available against which the deductible tax loss can be utilised. Significant judgements are required to estimate the timing and amount of future taxable profit and to consider tax planning strategy so as to determine the amount of deferred tax assets to be recognised.

4.27.9 Income tax

During the ongoing operation of the Company, there is uncertainty in the treatment for and amounts of certain transactions for income tax purpose. For example, the deductibility of certain expenses for income tax purpose is subject to the approval by relevant tax authority. If the ultimate outcome of the uncertainty differs from the original estimate, the difference will have impact on the current income tax expenses and deferred income tax expenses for the relevant period.

4.28.10 Accrued liabilities

Provision is recognised for product warranty, onerous contract, buy-back obligation, etc. on the basis of contract terms, current knowledge and past experiences. A provision is recognised when a contingent event has resulted in a present obligation, the fulfillment of the present obligation will result in outflow of economic benefits. The amount recognised is the best estimate of expenses that would be incurred to fulfill the present obligation. The recognition and measurement of provisions significantly depend on judgements of the management. In exercising judgement, the Company assesses risks and uncertainty associated with the contingent events and time value of money, etc.

Note 5: Taxation

5.1 Major taxes and tax rate

Tax	Tax rate (%)
Value added tax	Output VAT is charged at 6% or 17% on taxable income; VAT payable is calculated at the excess of output VAT over input VAT.
Consumption tax	The consumption taxes have been provided at the rate of CNY 1.00 yuan per kg or 1,000 ml follow the quantity, and the consumption tax have been provided at the rate of 20% of the taxable sales.
Business tax	Business tax rate is the 5% of taxable income.
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 1, 5, 7%.
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 3%.
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 2%.
Corporate income tax	See the table below.

The income tax rate of entities:

Entity	Income tax rate
Anhui Longrui Glass Co.,Ltd	15%
Anhui Ruisiweier Technology Co., Ltd	15%
Bozhou Gujing waste recycling limited liability company	10%
Anhui Gujing Distillery Co.,Ltd and other subsidiaries	25%

5.2 Tax incentives and approval

5.2.1 Anhui Longrui Glass Co., Ltd., a subsidiary of the Company, was granted the High-tech Enterprise Certificate (No. GR201634001204) on December 5, 2016 upon qualification of high-tech enterprise. The certificate valids for three years and the applicable income tax rate in 2016 is 15%.

5.2.2 Anhui Ruisiweier Technology Co., Ltd, a subsidiary of the Company, was granted the High-tech Enterprise Certificate (No. GR201634000832) on October 21, 2016 upon qualification of high-tech enterprise. The certificate valids for three years and the applicable income tax rate in 2016 is 15%.

Note 6: Notes to significant elements of the financial statements

Unless otherwise stated (incl. notes to significant elements of the financial statements is), the current year is 2016, prior year is 2015 respectively.

6.1 Monetary funds

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
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Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Cash in hand	323,885.02	373,724.24
Bank deposit	527,379,498.81	1,040,000,008.83
Other monetary fund	5,205,642.24	46,945,425.70
Total	532,909,026.07	1,087,319,158.77
Including: The total amount of deposit abroad	0.00	0.00

Note: Other monetary fund frozen by the Court for litigation amounted to CNY 5,060,000.00 as at the reporting date. There was no other restrictions on the use of money due to mortgages, pledges etc. as at the reporting date; there was no restriction on cross-border remittance of cash deposited in banks outside China..

6.2 Financial assets measured by fair value with changes in fair value recognised in profit or loss

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Held for trading financial assets	429,190.68	322,223.28
Including: invest in equity instrument	429,190.68	322,223.28
Total	429,190.68	322,223.28

6.3 Notes receivable

6.3.1 Disclosure by classification

Classification	Balance as at 31/12/2016	Balance as at 31/12/2015
Bank acceptance	534,386,586.59	539,442,903.31
Total	534,386,586.59	539,442,903.31

6.3.2 Pledged notes receivable at the end of current year

Item	Amount
Bank acceptance	33,483,200.00
Total	33,483,200.00

6.3.3 Immature notes receivable transferred at the end of current year

Item	Amount derecognised as at 31/12/2016	Amount not derecognised as at 31/12/2016
Bank acceptance	308,579,773.03	0.00
Total	308,579,773.03	0.00

6.4 Accounts receivable

6.4.1 Disclosure by classification

Items	Balance as at 31/12/2016				Book value
	Carrying amount		Allowance for bad debt		
	Amount	% of total	Amount	% of total	

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	14,155,948.37	100.00	1,868,685.49	13.20	12,287,262.88
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	14,155,948.37	100.00	1,868,685.49	13.20	12,287,262.88

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	6,226,590.29	100.00	1,278,515.45	20.53	4,948,074.84
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	6,226,590.29	100.00	1,278,515.45	20.53	4,948,074.84

Disclosure by age:

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	11,813,549.50	122,713.18	1.04
Including: within 6 months	11,699,433.48	117,007.38	1.00
7- 12 months	114,116.02	5,705.80	5.00
1-2years	658,012.07	65,801.21	10.00
2-3years	8,431.41	4,215.71	50.00

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Over3years	1,675,955.39	1,675,955.39	100.00
Total	14,155,948.37	1,868,685.49	13.20

6.4.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognised during the year is CNY 590,170.04.

6.4.3 Accounts receivable written off during the current reporting period.

There has no accounts receivable written off during the current reporting period.

6.4.4 Details of top five accounts receivable

The total amount of top five accounts receivables summaried by debtors as at the end of current year is CNY 4,659,103.58, accounting for 32.91% of the total accounts receivable as at the end of current year, the total corresponding allowance for bad debts is CNY326,042.07.

6.5 Advances to suppliers

6.5.1 Disclosure by age

Age	Balance as at 31/12/2016		Balance as at 31/12/2015	
	Amount	% of total	Amount	% of total
Within 1 year	73,928,796.23	98.86	80,083,715.48	99.64
1 to 2 years	853,434.06	1.14	285,694.11	0.36
2 to 3 years	1,991.30	0.00	0.00	0.00
Over 3 years	0.00	0.00	3,674.00	0.00
Total	74,784,221.59	100.00	80,373,083.59	100.00

6.5.2 Details of top five advance to suppliers

The total amount of top five advance to suppliers as at the end of current year is CNY 69,715,246.69, accounting for 93.22% of the total advance to suppliers.

6.6 Interest recveivables

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Interests on certified savings	2,843,178.08	0.00
Total	2,843,178.08	0.00

6.7 Other receivables

6.7.1 Disclosure by classification

Items	Balance as at 31/12/2016				Book value
	Carrying amount		Allowance for bad debt		
	Amount	% of total	Amount	% of total	
Other receivable of individual	41,342,938.53	78.14	41,342,938.53	100.00	0.00

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
significance subject to individually assessment for impairment					
Other receivable portfolio subject to impairment by credit risk:	11,564,231.44	21.86	798,834.41	6.91	10,765,397.03
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	52,907,169.97	100.00	42,141,772.94	79.65	10,765,397.03

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	41,342,938.53	81.90	41,342,938.53	100.0	0.00
Other receivable portfolio subject to impairment by credit risk:	9,134,457.26	18.10	516,501.59	5.65	8,617,955.68
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	50,477,395.79	100.00	41,859,440.11	82.93	8,617,955.68

6.7.1.1 Other receivables of individual significance and subject to individual impairment assessment

Debtor	Balance as at 31/12/2016			
	Carrying amount	Allowance for bad debt	Rate of Allowance (%)	Reason for allowance
Jianqiao Securities	11,840,500.00	11,840,500.00	100.00	Enterprise is in the proceeding of liquidation bankruptcy
Hengxin Securities	29,502,438.53	29,502,438.53	100.00	Enterprise is in the proceeding Of liquidation bankruptcy
Total	41,342,938.53	41,342,938.53	100.00	

6.7.1.2 Accounts receivable using the age analysis method for measurement of impairment allowances:

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	12,229,096.23	225,204.96	1.84
Including: within 6 months	9,648,695.33	96,184.91	1.00
7-12 months	530,400.90	26,520.05	5.00
1-2 years	269,727.60	26,972.76	10.00
2-3 years	932,501.84	466,250.92	50.00
Over 3years	182,905.77	182,905.77	100.00
Total	11,564,231.44	798,834.41	6.91

6.7.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the current year is CNY 282,332.83.

6.7.3 The situation of other receivable the is written off in current year

There has no other receivable written off during the current reporting period.

6.7.4 The classification of other receivable

Nature	Balance at 31/12/2016	Balance at 31/12/2015
Investment in securities	41,342,938.53	41,342,938.53
Deposit and guarantee	1,457,444.95	1,642,346.71
Loan for business trip	2,024,382.20	2,789,864.26
Rent and water, electric and gas expense	4,242,987.61	2,432,526.57
Others	3,839,416.68	2,269,719.72
Total	52,907,169.97	50,477,395.79

6.7.5 Details of top five other receivable:

Debtor	nature	Carrying amount	age	% of total amount	Allowance balance at the year end
The first	Investment in securities	29,502,438.53	Over 3 years	55.76	29,502,438.53
The second	Investment in securities	11,840,500.00	Over 3 years	22.38	11,840,500.00
The third	Prepaid for oil fee	2,754,767.41	Within 6 months	5.21	27,547.67
The forth	Prepaid for oil fee	558,145.20	Within 6 months	1.05	5,581.45
The fifth	Deposit	500,000.00	Within 6 months	0.95	5,000.00
Total		45,155,851.14		85.35	41,381,067.65

6.8 Inventories

6.8.1 Disclosure by classification

Items	Balance as at 31/12/2016		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	122,173,639.41	8,897,753.50	113,275,885.91
Work in progress	1,426,282,016.97	0.00	1,426,282,016.97
Finished goods	255,258,344.54	8,383,210.92	246,875,133.62
Total	1,803,714,000.92	17,280,964.42	1,786,433,036.50

(Continued)

Items	Balance as at 31/12/2015		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	102,293,838.52	6,976,129.27	95,317,709.25
Work in progress	1,130,825,408.23	0.00	1,130,825,408.23
Finished goods	177,900,253.21	7,331,319.82	170,568,933.39
Total	1,411,019,499.96	14,307,449.09	1,396,712,050.87

6.8.2 Impairment allowance for inventories

Items	Balance as at 31/12/2015	Increase in current year		Decrease in current year		Balance as at 31/12/2016
		Accrual	Other	Recovered or Written off	Other	
Raw material	6,976,129.27	5,872,712.72	0.00	3,951,088.49	0.00	8,897,753.50
Finished goods	7,331,319.82	5,585,052.45	0.00	4,533,161.35	0.00	8,383,210.92
Total	14,307,449.09	11,457,765.17	0.00	8,484,249.84	0.00	17,280,964.42

6.8.3 Reason for impairment recognition and reversal or written-off

Items	The basis of recognition of impairment allowance for inventories	The reason of recovering impairment allowance for inventories	The reasons for inventory impairment written-off at current year
Raw material	Market prices decrease, and resulting in raw material's net realizable value lower than cost		Material scrap and application
Finished goods	Market prices decrease, and resulting in Finished goods' net realizable value lower than cost		Scrap of the product

6.9 Other current assets

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Financial products	1,750,000,000.00	1,500,000,000.00

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Deductible tax	278,829.24	970,860.37
Total	1,750,278,829.24	1,500,970,860.37

6.10 Available-for-sale financial assets

6.10.1 The situation of available-for-sale financial assets

Items	Balance as at 31/12/2016			Balance as at 31/12/2015		
	Carrying amount	Impairment	Net carrying amount	Carrying amount	Impairment	Net carrying amount
Available for sale equity instruments	404,029,552.27	0.00	404,029,552.27	213,881,190.47	0.00	213,881,190.47
Including: measured by fair value	404,029,552.27	0.00	404,029,552.27	213,881,190.47	0.00	213,881,190.47
Measured by cost	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	100,000,000.00	0.00	100,000,000.00
Total	404,029,552.27	0.00	404,029,552.27	313,881,190.47	0.00	313,881,190.47

6.10.2 The available for sale financial asset which is measured by fair value at the year end

Classification of the available for sale financial asset	Equity instrument available for sale	Debt instrument available for sale	Total
The cost of the equity instrument or the amortized cost of the debt instrument	355,836,914.98	0.00	355,836,914.98
Fair value	404,029,552.27	0.00	404,029,552.27
The amount of the fair value change recognized intocomprehensive income	48,192,637.29	0.00	48,192,637.29
Impairment allowance	0.00	0.00	0.00

6.10.3 The measurement of the cost of available for sale financial assets at the end of current year

Investee	Balance as at 31/12/2016				Impairment			
	Balance as at 31/12/2015	Increase in current year	Decrease in current year	Balance as at 31/12/2016	Balance as at 31/12/2015	Increase in current year	Decrease in current year	Balance as "at 31/12/2016"
Hongtai No.55 assembled funds trust plan	100,000,000.00	0.00	100,000,000.00	0.00	0.00	0.00	0.00	0.00
Total	100,000,000.00	0.00	100,000,000.00	0.00	0.00	0.00	0.00	0.00

6.11 Investment property

6.11.1 Investment property measured using the historical cost

Items	Houses and buildings	Land use rights	Total
1. Cost:			
1.1 Balance as at 31/12/2015	23,148,813.75	2,644,592.00	25,793,405.75
1.2 Increased in current year	0.00	0.00	0.00
1.3 Decreased in current year	10,196,437.59	0.00	10,196,437.59
1.3.1 Disposal	0.00	0.00	0.00
1.3.2 Other transfer out	10,196,437.59	0.00	10,196,437.59
1.4 Balance as at 31/12/2016	12,952,376.16	2,644,592.00	15,596,968.16
2. Accumulated Depreciation and accumulated amortization			
2.1 Balance as at 31/12/2015	15,583,897.24	494,056.62	16,077,953.86
2.2 Increased in current year	842,185.11	62,014.56	904,199.67
2.2.1 Accrual or amortization	842,185.11	62,014.56	904,199.67
2.3 Decreased in current year	9,788,130.11	0.00	9,788,130.11
2.3.1 Disposal	0.00	0.00	0.00
2.3.2 Other decrease	9,788,130.11	0.00	9,788,130.11
2.4 Balance as at 31/12/2016	6,637,952.24	556,071.18	7,194,023.42
3. Impairment allowance			
3.1 Balance as at 31/12/2015	0.00	0.00	0.00
3.2 Increased in current year	0.00	0.00	0.00
3.2.1 Accrual	0.00	0.00	0.00
3.3 Decreased in current year	0.00	0.00	0.00
3.3.1 Disposal	0.00	0.00	0.00
3.3.2 Other transfer out	0.00	0.00	0.00
3.4 Balance as at 31/12/2016	0.00	0.00	0.00
4. Carrying amount			
4.1 Carrying amount as at 31/12/2016	6,314,423.92	2,088,520.82	8,402,944.74
4.2 Carrying amount as at 31/12/2015	7,564,916.51	2,150,535.38	9,715,451.89

6.12 Fixed assets

6.12.1 Circumstance of fixed assets

Items	Houses and buildings	Machineries	Vehicles	Office equipment and other	Total
1. Cost:					

Items	Houses and buildings	Machineries	Vehicles	Office equipment and other	Total
1.1 Balance as at 31/12/2015	1,661,241,240.92	774,600,299.46	52,684,498.92	60,208,697.42	2,548,734,736.72
1.2 Increased in current year	308,554,631.99	93,696,820.20	13,447,873.06	66,808,288.36	482,507,613.61
1.2.1 Purchase	475,610.15	2,627,685.03	2,814,502.54	11,776,191.04	17,693,988.76
1.2.2 Transferred from construction in-progress	1,335,840.52	36,836,650.82	0.00	30,842,626.14	69,015,117.48
1.2.3 Increase from business combination	296,546,743.73	54,232,484.35	10,633,370.52	24,189,471.18	385,602,069.78
1.2.4 Recovered from rental housing	10,196,437.59	0.00	0.00	0.00	10,196,437.59
1.3 Decreased in current year	14,756,095.73	25,256,040.34	6,589,193.50	7,121,671.02	53,723,000.59
1.3.1 Disposal or scrap	14,756,095.73	25,256,040.34	6,589,193.50	7,121,671.02	53,723,000.59
1.4 Balance as at 31/12/2016	1,955,039,777.18	843,041,079.32	59,543,178.48	119,895,314.76	2,977,519,349.74
2. Accumulated Depreciation					
2.1 Balance as at 31/12/2015	475,454,089.21	288,129,635.62	42,255,683.05	45,592,394.27	851,431,802.15
2.2 Increased in current year	128,471,414.37	109,435,349.31	12,485,592.88	45,630,148.86	296,022,505.42
2.2.1 Accrual	51,873,989.94	86,686,409.28	6,349,374.10	35,307,308.92	180,217,082.24
2.2.2 Increase from business combination	66,809,294.32	22,748,940.03	6,136,218.78	10,322,839.94	106,017,293.07
2.2.3 Recovered from rental housing	9,788,130.11	0.00	0.00	0.00	9,788,130.11
2.3 Decreased in current year	9,949,057.72	19,951,368.96	6,390,107.37	5,381,328.80	41,671,862.85
2.3.1 Disposal or scrap	9,949,057.72	19,951,368.96	6,390,107.37	5,381,328.80	41,671,862.85
2.4 Balance as at 31/12/2016	593,976,445.86	377,613,615.97	48,351,168.56	85,841,214.33	1,105,782,444.72
3. Impairment allowance					
3.1 Balance as at 31/12/2015	4,133,377.10	2,140,753.15	0.00	0.00	6,274,130.25
3.2 Increased in current year	58,893.76	94,642.28	7,047.07	580,345.64	740,928.75
3.2.1 Accrual	58,893.76	94,642.28	7,047.07	580,345.64	740,928.75
3.3 Decreased in current year	0.00	969,739.04	0.00	0.00	969,739.04
3.3.1 Disposal or scrap	0.00	969,739.04	0.00	0.00	969,739.04
3.4 Balance as at 31/12/2016	4,192,270.86	1,265,656.39	7,047.07	580,345.64	6,045,319.96
4. Carrying amount					
4.1 Carrying amount as at 31/12/2016	1,356,871,060.46	464,161,806.96	11,184,962.85	33,473,754.79	1,865,691,585.06
4.2 Carrying amount as at 31/12/2015	1,181,653,774.61	484,329,910.69	10,428,815.87	14,616,303.15	1,691,028,804.32

6.12.2 Temporarily idle fixed assets

Item	Carrying value	Depreciation	Impairment	Book value	Notes

Houses and buildings	15,969,525.54	11,633,943.26	4,192,270.86	143,311.42
Machineries	8,175,846.51	6,857,209.57	1,265,656.39	52,980.55
Vehicles	58,119.66	49,329.00	7,047.07	1,743.59
Office equipment and other	873,232.11	266,689.51	580,345.64	26,196.96
Total	25,076,723.82	18,807,171.34	6,045,319.96	224,232.52

6.12.3 Fixed assets with pending ownership registration

Item	Book value	The reason of pending ownership registration
Houses and buildings	835,438,702.80	In the process
Total	835,438,702.80	

6.13 Construction in progress

6.13.1 Details of construction in progress

Items	Balance as at 31/12/2016			Balance as at 31/12/2015		
	Carrying amount before impairment allowance	impairment allowance	Net carrying amount	Carrying amount before impairment allowance	impairment allowance	Net carrying amount
Based liquor relocation of the transformation and facilities projects	903,846.31	0.00	903,846.31	32,051.44	0.00	32,051.44
Gujing operating network system	4,932,008.56	0.00	4,932,008.56	3,305,555.56	0.00	3,305,555.56
Information integration system	2,828,626.03	0.00	2,828,626.03	1,186,500.00	0.00	1,186,500.00
Gujing CRM system	0.00	0.00	0.00	769,230.77	0.00	769,230.77
Renovation project of potential safety concerns	47,819,516.27	0.00	47,819,516.27	47,025,894.49	0.00	47,025,894.49
Wine culture museum remould	4,449,398.37	0.00	4,449,398.37	2,167,605.55	0.00	2,167,605.55
Light and shadow show digital demonstration project	0.00	0.00	0.00	3,657,367.52	0.00	3,657,367.52
Automation transformation	0.00	0.00	0.00	965,000.00	0.00	965,000.00
Shanghai experience centre	0.00	0.00	0.00	2,299,961.53	0.00	2,299,961.53
Xianning Huanghelou 20MT	1,785,629.19	0.00	1,785,629.19	0.00	0.00	0.00

Items	Balance as at 31/12/2016			Balance as at 31/12/2015		
	Carrying amount before impairment allowance	impairment allowance	Net carrying amount	Carrying amount before impairment allowance	impairment allowance	Net carrying amount
filling depot project						
Hefei experience centre design and integration project	2,822,179.84	0.00	2,822,179.84	0.00	0.00	0.00
Process pipeline and Gujing mixing and storage automatic control system	1,133,754.23	0.00	1,133,754.23	0.00	0.00	0.00
Other individual project with small amounts	5,096,365.46	0.00	5,096,365.46	1,153,804.92	0.00	1,153,804.92
Total	71,771,324.26	0.00	71,771,324.26	62,562,971.78	0.00	62,562,971.78

6.13.2 Movement of significant construction in progress

Items	Budgeted cost	Balance as at 31/12/2015	Increase during the current reporting period	Including: increase from business combination	Transferred to fixed assets during the current reporting period	Other decrease during the current reporting period	Balance as at 31/12/2016
Based liquor relocation of the transformation and facilities projects	800,000,000.00	32,051.44	903,846.15	0.00	32,051.28	0.00	903,846.31
Gujing operating network system	8,350,000.00	3,305,555.56	1,626,453.00	0.00	0.00	0.00	4,932,008.56
Information integration system	6,000,000.00	1,186,500.00	1,642,126.03	0.00	0.00	0.00	2,828,626.03
Gujing CRM system	8,000,000.00	769,230.77	1,794,871.79	0.00	0.00	2,564,102.56	0.00
Renovation project of potential safety concerns	180,107,581.00	47,025,894.49	51,172,814.03	0.00	50,379,192.25	0.00	47,819,516.27
Wine culture museum remould	6,900,000.00	2,167,605.55	2,281,792.82	0.00	0.00	0.00	4,449,398.37
Light and shadow show	5,500,000.00	3,657,367.52	914,341.88	0.00	4,571,709.40	0.00	0.00

Items	Budgeted cost	Balance as at 31/12/2015	Increase during the current reporting period	Including: increase from business combination	Transferred to fixed assets during the current reporting period	Other decrease during the current reporting period	Balance as at 31/12/2016
digital demonstration project							
Automation transformation	5,880,000.00	965,000.00	0.00	0.00	643,333.33	321,666.67	0.00
Winery landscape upgrade	3,000,000.00	0.00	2,912,621.36	0.00	0.00	2,912,621.36	0.00
Steaming plant	5,340,000.00	0.00	2,885,470.14	0.00	2,885,470.14	0.00	0.00
Zhengzhou experience Centre	8,500,000.00	0.00	4,723,099.95	0.00	0.00	4,723,099.95	0.00
Video conferencing system	6,200,000.00	0.00	3,409,312.06	0.00	3,409,312.06	0.00	0.00
Shanghai experience centre	16,000,000.00	2,299,961.53	2,199,418.52	0.00	0.00	4,499,380.05	0.00
Xianning Huanghelou 20MT filling depot project	5,000,000.00	0.00	1,785,629.19	137,471.83	0.00	0.00	1,785,629.19
Hefei experience centre design and integration project	9,000,000.00	0.00	2,822,179.84	0.00	0.00	0.00	2,822,179.84
Process pipeline and Gujing mixing and storage automatic control system	4,388,251.25	0.00	1,133,754.23	0.00	0.00	0.00	1,133,754.23
Other individual project with small amounts	23,614,868.39	1,153,804.92	12,934,633.65	16,000.00	7,094,049.02	1,898,024.09	5,096,365.46
Total	1,101,780,700.64	62,562,971.78	95,142,364.64	153,471.83	69,015,117.48	16,918,894.68	71,771,324.26

(Continued)

Items	Weight of cost to date in budgeted cost	Stage of completion	The cumulative amount of interest capitalized	Including: interests capitalised during the current reporting period	Capitalisation rate applicable to the current reporting period %	Source of finance
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				period		
Based liquor relocation of the transformation and facilities projects	92.73	100.00	0.00	0.00	0.00	Owned fund
Gujing operating network system	62.58	95.00	0.00	0.00	0.00	Owned fund
Information integration system	47.14	97.00	0.00	0.00	0.00	Owned fund
Gujing CRM system	32.05	100.00	0.00	0.00	0.00	Owned fund
Renovation project of potential safety concerns	56.24	91.61	0.00	0.00	0.00	Owned fund
Wine culture museum remould	64.48	90.00	0.00	0.00	0.00	Owned fund
Light and shadow show digital demonstration project	83.12	100.00	0.00	0.00	0.00	Owned fund
Automation transformation	48.60	100.00	0.00	0.00	0.00	Owned fund
Winery landscape upgrade	97.00	100.00	0.00	0.00	0.00	Owned fund
Steaming palnt	54.00	100.00	0.00	0.00	0.00	Owned fund
Zhengzhou experience Centre	56.00	100.00	0.00	0.00	0.00	Owned fund
Video conferencing system	55.00	100.00	0.00	0.00	0.00	Owned fund
Shanghai experience centre	28.11	100.00	0.00	0.00	0.00	Owned fund
Xianning Huanghelou 20MT filling depot project	35.71	30.00	0.00	0.00	0.00	Owned fund
Hefei experience centre design and integration project	31.36	32.30	0.00	0.00	0.00	Owned fund
Process pipeline and Gujing mixing and storage automatic control system	26.00	30.00	0.00	0.00	0.00	Owned fund
Other individual project with small amounts	50.00	80.00	0.00	0.00	0.00	Owned fund
Total	-	-	0.00	0.00	0.00	

6.14 Intangible assets

Items	Land rights	Patents	Software	Trademark	Total
1. Cost:					
1.1 Balance as at 31/12/2015	351,249,420.80	38,150,000.00	4,869,402.68	0.00	394,268,823.48
1.2 Increased in current year	277,029,881.76	7,716,942.63	5,189,552.28	169,116,600.00	459,052,976.67
1.2.1 Purchase	0.00	0.00	196,581.20	0.00	196,581.20
1.2.2 Internal research and development	0.00	0.00	0.00	0.00	0.00
1.2.3 Transferred from construction in progress	0.00	0.00	3,993,658.18	0.00	3,993,658.18
1.2.4 Increase from business combination	277,029,881.76	7,716,942.63	999,312.90	169,116,600.00	454,862,737.29
1.3 Decreased in current year	0.00	0.00	0.00	0.00	0.00
1.3.1 Disposal	0.00	0.00	0.00	0.00	0.00
1.4 Balance as at 31/12/2016	628,279,302.56	45,866,942.63	10,058,954.96	169,116,600.00	853,321,800.15

Items	Land rights	Patents	Software	Trademark	Total
2. Accumulated amortization					
2.1 Balance as at 31/12/2015	54,759,386.45	38,150,000.00	2,987,197.07	0.00	95,896,583.52
2.2 Increased in current year	47,247,075.03	7,564,910.47	1,928,702.05	0.00	56,740,687.55
2.2.1 Accrual	10,894,606.38	34,013.69	1,255,663.35	0.00	12,184,283.42
2.2.2 Increase from business combination	36,352,468.65	7,530,896.78	673,038.70	0.00	44,556,404.13
2.3 Decreased in current year	0.00	0.00	0.00	0.00	0.00
2.3.1 Disposal	0.00	0.00	0.00	0.00	0.00
2.4 Balance as at 31/12/2016	102,006,461.48	45,714,910.47	4,915,899.12	0.00	152,637,271.07
3. Impairment allowance					
3.1 Balance as at 31/12/2015	0.00	0.00	0.00	0.00	0.00
3.2 Increased in current year	0.00	0.00	0.00	0.00	0.00
3.2.1 Accrual	0.00	0.00	0.00	0.00	0.00
3.3 Decreased in current year	0.00	0.00	0.00	0.00	0.00
3.3.1 Disposal	0.00	0.00	0.00	0.00	0.00
3.4 Balance as at 31/12/2016	0.00	0.00	0.00	0.00	0.00
4. Carrying amount					
4.1 Carrying amount as at 31/12/2016	526,272,841.08	152,032.16	5,143,055.84	169,116,600.00	700,684,529.08
4.2 Carrying amount as at 31/12/2015	296,490,034.35	0.00	1,882,205.61	0.00	298,372,239.96

6.15 Goodwill

The name of the investee or the formation of goodwill	Balance as at 31/12/2015	Increased in current year		Decreased in current year		Balance as at 31/12/2016
		Business combination	Others	Disposal	Others	
Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd	0.00	478,283,495.29	0.00	0.00	0.00	478,283,495.29
Total	0.00	478,283,495.29	0.00	0.00	0.00	478,283,495.29

Note: According to the actual financial data and budget information, the Company estimated net cash flow of the assets to determine the recoverable amount and according to the "Asset appraisal report" (Huaxin Zhonghe Pingbao Zi [2017] S1008 Hao) issued by Beijing Huaxin Public Assets Appraisal Co., Ltd. Shenzhen Branch, the future net cash flow is greater than the book value and there is no impairment of the goodwill.

6.16 Long-term deferred charge

Items	Balance as at 31/12/2015	Increase in current year	Amortisation for the current reporting period	Other decrease in current year	Balance as at 31/12/2016	The reason for other decrease
Mold culture shelf and Mold culture bed	2,918,368.91	0.00	1,523,358.84	0.00	1,395,010.07	
Transformation of high - quality base liquor	7,305,261.80	0.00	3,721,401.72	0.00	3,583,860.08	
Wine library shelves	1,408,903.13	0.00	563,561.25	0.00	845,341.88	
Decoration works of exclusive Shop	17,226,636.90	17,414.87	12,691,861.97	0.00	4,552,189.86	
Decoration works of Beijing experience center	17,455,429.04	4,729,106.90	2,426,832.57	0.00	19,757,703.37	
Relocation compensation of Beijing experience center	11,366,500.00	258,500.00	1,500,000.00	0.00	10,125,000.00	
Pottery jars storage	19,216,518.59	226,467.95	4,382,499.68	0.00	15,060,486.86	
Decoration works of spirits culture Museum	1,041,359.60	0.00	430,925.57	0.00	610,434.11	
improvement project of Sewage Treatment Plant	4,850,000.00	0.00	600,000.00	0.00	4,250,000.00	
Green cost	27,703,158.38	0.00	15,618,953.18	323,044.10	11,761,161.10	
Decoration project of Gujing villa	4,941,948.33	0.00	4,941,948.33	0.00	0.00	
Potential safety hazard transformation	3,607,861.23	424,433.74	1,614,493.88	0.00	2,417,801.09	
Shenzhen experience center	6,217,336.14	0.00	1,332,286.32	0.00	4,885,049.82	
Other	2,556,386.18	1,052,811.47	1,150,318.56	0.00	2,458,879.09	
Winery landscape upgrade	0.00	2,912,621.36	80,906.15	0.00	2,831,715.21	
Zhengzhou experience centre	0.00	4,723,099.95	43,732.41	0.00	4,679,367.54	
Shanghai experience centre	0.00	4,499,380.05	124,982.78	0.00	4,374,397.27	
Total	127,815,668.37	18,843,836.29	52,748,063.21	323,044.10	93,588,397.35	

6.17 Deferred tax assets and deferred tax liabilities

6.17.1 Details of Rrecognized deferred tax assets

Items	Balance as at 31/12/2016		Balance as at 31/12/2015	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets

Allowance for bad debt	44,010,458.43	10,996,043.87	43,137,779.39	10,784,271.97
Allowance for inventories impairment	17,280,964.42	4,268,065.64	14,307,449.09	3,576,862.28
Allowance for fixed assets impairment	6,017,322.50	1,504,126.30	6,246,132.79	1,561,533.20
Deferred income	43,978,795.45	10,964,946.75	46,123,314.33	11,530,828.58
Accrued expenses	241,487,812.54	60,371,953.14	134,446,030.45	33,611,507.60
Recoverable tax loss	74,310,846.55	18,577,711.64	0.00	0.00
Not realized internal profit	3,886,999.22	971,749.81	0.00	0.00
Total	430,973,199.11	107,654,597.15	244,260,706.05	61,065,003.63

6.17.2 Details of Rrecognized deferred tax liabilities

Items	Balance as at 31/12/2016		Balance as at 31/12/2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of tradable financial asset	157,639.98	39,410.00	163,238.41	40,809.60
Changes in fair value of available-for-sale financial assets	48,192,637.29	12,048,159.32	72,642,515.35	18,160,628.84
Difference in additional deduction of fixed assets	11,629,445.21	2,907,361.30	9,048,889.73	2,262,222.43
Appreciation of assets by business combination under non-common control	409,168,287.60	102,292,071.90	0.00	0.00
Total	469,148,010.08	117,287,002.52	81,854,643.49	20,463,660.87

6.17.3 Unrecognized deferred tax assets

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Deductible temporary difference	27,997.46	28,173.63
Taxable temporary differences	3,504,550.14	2,059,849.97
Total	3,532,547.60	2,088,023.60

6.17.4 The deductible losses of unrecognized deferred tax assets will be expired in the following year

Year	Balance as at 31/12/2016	Balance as at 31/12/2015	Note
Year 2017	0.00	0.00	
Year 2018	0.00	0.00	
Year 2019	0.00	0.00	

Year 2020	2,059,849.97	2,059,849.97
Year 2021	1,444,700.17	0.00
Total	3,504,550.14	2,059,849.97

6.18 Other non-current assets

Items	Content	Balance as at 31/12/2016	Balance as at 31/12/2015
Certified savings	Certified savings	300,000,000.00	0.00
Prepayments for equipment	Prepayments for equipment	982,000.00	0.00
Total		300,982,000.00	0.00

6.19 Notes payable

Type	Balance as at 31/12/2016	Balance as at 31/12/2015
Bankers' acceptance	11,270,000.00	92,940,000.00
Trade acceptance	28,583.00	828,583.00
Total	11,298,583.00	93,768,583.00

Note: The unpaid matured notes payable is amount CNY 28,583.00, as at year ended and due to the supplier do not make the solution pay on matured note.

6.20 Accounts payable

6.20.1 Detail for accounts payable

Item	Balance as at 31/12/2016	Balance as at 31/12/2015
Within 1 year	278,284,194.09	299,081,452.13
Over 1 year	62,688,172.12	79,105,999.94
Total	340,972,366.21	378,187,452.07

6.20.2 The details of significant accounts payable remaining unsettled for more than 1 year

Creditors	Balance as at 31/12/2016	Reason(s) for unsettlement
A company	7,507,940.81	Residual project balance
B company	1,246,379.45	Residual project balance
C company	1,090,000.00	Residual equipment balance
D company	1,068,404.82	Residual project balance
E company	820,826.60	Payment for material
Total	11,733,551.68	

6.21 Advances from customers

Item	Balance as at 31/12/2016	Balance as at 31/12/2015
Payment for goods	623,990,614.91	608,565,152.50
Total	623,990,614.91	608,565,152.50

6.22 Employment benefits payable

6.22.1 Disclosure by classification

Items	Balance as at 31/12/2015	Increase upon business combination	Increase during the current year	Decrease during the current year	Balance as at 31/12/2016
1. Short-term employee benefits	253,376,275.54	3,347,004.08	1,087,110,918.12	1,056,306,787.63	287,527,410.11
2. Post-employment benefits	525,425.18	0.00	73,030,936.63	73,056,635.83	499,725.98
3. Termination benefits	0.00	0.00	0.00	0.00	0.00
4. Other benefits due within one year	0.00	0.00	0.00	0.00	0.00
Total	253,901,700.72	3,347,004.08	1,160,141,854.75	1,129,363,423.46	288,027,136.09

6.22.2 Disclosure by classification of short-term employee benefits

Category	Balance as at 31/12/2015	Increase upon business combination	Increase during the current year	Decrease during the current year	Balance as at 31/12/2016
1. Wages, salaries and subsidies	202,138,836.94	3,347,004.08	940,346,847.39	913,911,554.95	231,921,133.46
2. Employee welfare	0.00	0.00	51,260,447.30	51,260,447.30	0.00
3. Social insurance:	36,873.97	0.00	22,470,017.28	22,439,836.66	67,054.59
Including: Medical insurance	27,079.95	0.00	21,271,964.59	21,245,068.14	53,976.40
Employment injury insurance	4,771.50	0.00	763,193.66	761,260.89	6,704.27
Maternity insurance	5,022.52	0.00	434,859.03	433,507.63	6,373.92
4. Housing provident fund	12,784,777.20	0.00	49,944,795.56	54,348,610.36	8,380,962.40
5. Labour union fee and employee education fee	38,415,787.43	0.00	23,088,810.59	14,346,338.36	47,158,259.66
6. Short-term paid absence	0.00	0.00	0.00	0.00	0.00
7. Short-term profit sharing plan	0.00	0.00	0.00	0.00	0.00
Total	253,376,275.54	3,347,004.08	1,087,110,918.12	1,056,306,787.63	287,527,410.11

6.22.3 Disclosure by defined contribution plan

Items	Balance as at 31/12/2015	Increase upon business combination	Increase during the current year	Decrease during the current year	Balance as at 31/12/2016
1. Basic pension	499,446.46	0.00	69,833,408.93	69,861,758.45	471,096.94
2. Unemployment insurance	25,978.72	0.00	3,197,527.70	3,194,877.38	28,629.04
Total	525,425.18	0.00	73,030,936.63	73,056,635.83	499,725.98

6.23 Taxes and fees payable

Tax (Fee)	Balance as at 31/12/2016	Balance as at 31/12/2015
VAT	118,133,291.16	87,099,637.75
Consumption tax	219,571,438.66	137,743,836.68
Business tax	0.00	1,567,227.74
Enterprise income tax	94,273,743.45	70,375,692.68
Personal income tax	1,562,260.59	2,747,356.67
Urban construction and maintenance tax	19,129,378.01	10,339,184.61
Stamp duty	871,395.56	1,096,999.83
Education surcharge	18,650,757.21	10,327,628.89
Others	14,767,387.21	36,789,788.95
Total	486,959,651.85	358,087,353.80

6.24 Other payables

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Security deposit	587,919,286.15	349,397,678.43
Business trip borrowing	2,207,592.61	1,369,843.17
Guarantee	10,478,503.90	42,153,589.56
Personal housing provident fund paid by company	8,380,962.40	12,784,777.20
Others	32,485,926.47	46,487,300.58
Total	641,472,271.53	452,193,188.94

6.25 Other current liabilities

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Accrued expense	241,487,812.54	138,135,604.82
Total	241,487,812.54	138,135,604.82

6.26 Deferred income

Items	Balance as at 31/12/2015	Increase during the current year	Decrease during the current year	Balance as at 31/12/2016	Reasons
Government grants	46,123,314.33	2,481,400.00	4,625,918.88	43,978,795.45	Receive government grants concerning assets
Total	46,123,314.33	2,481,400.00	4,625,918.88	43,978,795.45	—

Involving government grants' project:

Items	Balance as at 31/12/2015	Recognised during current year	Amount recognised as non-operating income	Other movement	Balance as at 31/12/2016	Related to asset or income
Wine production system technical transformation	442,708.37	0.00	62,500.02	0.00	380,208.35	Related to asset
Instrument subsidies	1,653,750.00	0.00	220,500.00	0.00	1,433,250.00	Related to asset
Intelligent solid brewing technology innovation project	244,791.66	0.00	31,250.01	0.00	213,541.65	Related to asset
Anhui province development of direct funds of service industry	1,965,853.62	0.00	292,682.86	0.00	1,673,170.76	Related to asset
Anhui province subsidies of innovative province construction capacity for independent innovation	4,870,300.00	0.00	730,545.00	0.00	4,139,755.00	Related to asset
Energy efficiency renovation project for coal industrial boiler and glass furnace	471,750.00	0.00	153,000.00	0.00	318,750.00	Related to asset
Bozhou Logistics Center Project	240,000.00	0.00	60,000.00	0.00	180,000.00	Related to asset
Equipment subsidy	0.00	1,314,000.00	81,056.29	0.00	1,232,943.71	Related to asset
Finance subsidy for energy saving projects	1,529,204.04	0.00	531,623.59	0.00	997,580.45	Related to asset
Finance subsidy for technical reconstruction	2,018,595.46	0.00	534,221.52	0.00	1,484,373.94	Related to asset
Within financial budget, interest subsidy for deposit technical reconstruction	3,333.45	0.00	3,333.45	0.00	0.00	Related to asset
Within financial budget, Enterprise development funds	142,500.00	0.00	30,000.00	0.00	112,500.00	Related to asset
IOT traceability system project	6,311,250.00	0.00	1,113,750.00	0.00	5,197,500.00	Related to asset
Rebate of land	24,763,652.65	0.00	550,206.18	0.00	24,213,446.47	Related to asset
Electric machine improvement for energy saving project	825,000.08	0.00	137,499.96	0.00	687,500.12	Related to asset
Product quality online monitor	640,625.00	0.00	93,750.00	0.00	546,875.00	Related to asset

Items	Balance as at 31/12/2015	Recognised during current year	Amount recognised as non-operating income	Other movement	Balance as at 31/12/2016	Related to asset or income
Subsidy for intelligent distillery yeast research	0.00	217,400.00	0.00	0.00	217,400.00	Related to asset
Gujing Zhangji wine tank optimization upgrade project	0.00	950,000.00	0.00	0.00	950,000.00	Related to asset
Total	46,123,314.33	2,481,400.00	4,625,918.88	0.00	43,978,795.45	

6.27 Share capital

Items	Balance as at 31/12/2015	Movements during the current reporting period (+, -)					Balance as at 31/12/2016
		Share issue	Bonus issue	Conversion from reserves	Others	Subtotal	
Total shares	503,600,000.00	0.00	0.00	0.00	0.00	0.00	503,600,000.00

6.28 Capital reserves

Items	Balance as at 31/12/2015	Increase during the current year	Decrease during the current year	Balance as at 31/12/2016
Share premium	1,262,552,456.05	0.00	0.00	1,262,552,456.05
Other capital reserves	32,386,037.14	467,099.06	0.00	32,853,136.20
Total	1,294,938,493.19	467,099.06	0.00	1,295,405,592.25

6.29 Other comprehensive income

Items	Balance as at	Total amount in current year	Balance as at
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	31/12/2015		Less: previously recognized in other comprehensive income transferred into profit or loss	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	31/12/2016
1.Other comprehensive income that will not be reclassified into income or loss in the future	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.Other comprehensive income that will be reclassified into income or loss in the future	54,481,886.51	-24,449,878.06	0.00	-6,112,469.50	-18,337,408.56	0.00	36,144,477.95
Including: fair value change of financial asset available for sale	54,481,886.51	-24,449,878.06	0.00	-6,112,469.50	-18,337,408.56	0.00	36,144,477.95
Total of other comprehensive income	54,481,886.51	-24,449,878.06	0.00	-6,112,469.50	-18,337,408.56	0.00	36,144,477.95

6.30 Surplus reserves

Items	Balance as at 31/12/2015	Increase during the current year	Decrease during the current year	Balance as at 31/12/2016
Statutory surplus reserve	256,902,260.27	0.00	0.00	256,902,260.27
Total	256,902,260.27	0.00	0.00	256,902,260.27

Note: In accordance with the Company Laws and regulations in PRC, statutory surplus reserve is accrued at 10 % of net profit of the Company until accumulated amount of such reserve balance reaches 50% of the Company's

registered capital.

After the company draws the statutory surplus reserve, it may, upon a resolution made by the shareholders' meeting or the shareholders' assembly, draw a discretionary surplus reserve from the after-tax profits. Discretionary surplus reserve as approved by the shareholders in our shareholders' meeting can be used to make good previous years' losses or to increase the capital.

6.31 Retained earning

Items	Current year	Prior year
Pre-adjustment balance brought forward	2,723,798,990.11	2,108,940,620.43
Total adjustment to retained earnings b/f (+, -)	0.00	0.00
Retained earnings b/f after adjustment	2,723,798,990.11	2,108,940,620.43
Add: Net profit attributable to shareholders of the parent	829,630,063.38	715,578,369.68
Less: Appropriation to statutory surplus reserve	0.00	0.00
Appropriation to discretionary surplus reserve	0.00	0.00
General reserve	0.00	0.00
Ordinary dividends declared	50,360,000.00	100,720,000.00
Ordinary dividends transformed into capital share	0.00	0.00
Balance carrying forward	3,503,069,053.49	2,723,798,990.11

6.32 Operating revenues and costs

Items	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Principal operating income	5,979,035,166.48	1,491,385,954.17	5,217,544,152.04	1,479,038,970.28
Other operating income	38,108,494.08	32,199,825.34	35,867,327.36	30,497,129.00
Total	6,017,143,660.56	1,523,585,779.51	5,253,411,479.40	1,509,536,099.28

6.33 Business tax and surcharges

Items	Current year	Prior year
Consumption tax	762,768,550.26	650,932,115.38
Business tax	1,287,301.81	5,550,244.99
Urban maintenance and construction tax, Education surcharge	165,783,127.78	132,834,880.86
Urban land used tax	8,708,036.38	0.00
Property tax	10,499,272.17	0.00
Stamp duty	3,831,107.79	0.00
Other	3,111,002.91	888,390.64
Total	955,988,399.10	790,205,631.87

Note: The provision standards for taxes and surcharges refer to Note 5 Taxation.

6.34 Sales expenses

Items	Current year	Prior year
Employment benefits	262,525,597.79	192,032,269.16
Travel	74,878,606.52	72,490,928.96
Advertisement	465,688,890.38	397,458,962.42
Transportation charges	32,209,900.34	26,799,503.76
Sales promotion costs	602,532,363.04	421,404,543.74
Sample wine	226,433,506.70	151,639,742.58
Service fee	235,762,832.21	241,596,791.54
Other sales expenses	80,095,680.91	54,377,876.80
Total	1,980,127,377.89	1,557,800,618.96

6.35 General and administrative expenses

Items	Current year	Prior year
Employment benefits	316,223,141.03	279,870,693.46
Office fees	13,542,347.24	16,719,397.83
Taxes and surcharges	16,703,686.11	39,314,997.74
Maintenance expenses	27,222,700.92	31,218,976.13
Depreciation	56,518,251.81	48,065,605.86
Amortization of intangible assets	12,184,283.42	8,520,464.58
Pollution discharge	8,262,877.02	14,585,009.71
Spillage of material	36,189,753.39	44,837,410.39
Travel expenses	2,313,349.72	2,216,750.98
Water and electricity charges	9,409,893.23	9,692,830.19
Others	57,943,324.10	48,780,469.64
Total	556,513,607.99	543,822,606.51

6.36 Financial costs

Items	Current year	Prior year
Interest expenses	915,880.51	0.00
Less: Interest income	32,844,024.42	28,676,438.02
Less: Capitalised interest	0.00	0.00
Exchange gain or loss	87,679.59	367,172.57
Less: Capitalised exchange gain or loss	0.00	0.00
Others	1,586,496.99	7,974,859.05
Total	-30,253,967.33	-20,334,406.40

6.37 Impairment loss on assets

Items	Current year	Prior year
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Items	Current year	Prior year
Allowance for bad debt	-578,339.94	468,227.39
Allowance for inventory impairment	11,457,765.17	10,691,127.79
Allowance for intangible assets impairment	740,928.75	164,700.81
Total	11,620,353.98	11,324,055.99

6.38 Gain from changes in fair value

Source of fair value change	Current year	Prior year
Financial assets measured by fair value with changes in fair value recognised in profit or loss	-5,598.43	42,203.41
Including: Derivative financial assets	0.00	0.00
Total	-5,598.43	42,203.41

6.39 Investment income

Items	Current year	Prior year
Investment income from financial assets measured by fair value with changes in fair value recognized in profit or loss during the holding period	0.00	0.00
Investment income from disposal of financial assets measured by fair value with changes in fair value recognised in profit or loss	15,987,963.26	7,800,070.97
Investment income from available for sale financial asset during the holding period	78,724,727.77	61,455,959.33
Investment income from disposal of financial assets available for sale	281,592.14	0.00
Other	2,843,178.08	0.00
Total	97,837,461.25	69,256,030.30

6.40 Non-operating income

Items	Current year	Prior year	Recognized into current year non-recurring profit and loss
Gain on non-current asset disposals	420,864.59	68,505.82	420,864.59
Including : Gain on fixed asset disposals	420,864.59	68,505.82	420,864.59
Government grants (See details of government grants)	25,336,275.56	19,931,320.03	25,336,275.56
Income from penalties	3,699,832.32	13,447,521.81	3,699,832.32
Sales of wastes	5,262,867.74	5,824,298.47	5,262,867.74
Accounts payable no need to pay back	376,663.74	232,103.59	376,663.74
Others	6,818,442.51	5,470,254.89	6,818,442.51
Total	41,914,946.46	44,974,004.61	41,914,946.46

Details of government grant:

Government assistance	Current year	Prior year	Related to assets or income
Energy-saving subsidies	0.00	105,000.00	Related to income
Science and technology innovation award	680,000.00	258,400.00	Related to income
Standardization of the government reward	0.00	120,000.00	Related to income
Gujing industrial park land use tax, house property tax refund	15,009,167.60	13,999,000.00	Related to income
River water pollution prevention and control of special funds	0.00	590,000.00	Related to income
Technology innovation demonstration funds	0.00	300,000.00	Related to income
Trademark reward	0.00	100,000.00	Related to income
Business development special funds	0.00	64,800.00	Related to income
Business bureau subsidies	0.00	59,000.00	Related to income
Social security subsidies	320,700.00	208,750.00	Related to income
Assets amortization related government for deferred revenue	4,625,918.88	4,100,947.53	Related to assets
Anhui long-leave brand honorary title award	100,000.00	0.00	Related to income
Patent award	728,400.00	0.00	Related to income
Anhui industrial boutique award	100,000.00	0.00	Related to income
National Quality Benchmark Award	200,000.00	0.00	Related to income
Provincial industrial design center awards	100,000.00	0.00	Related to income
Income break bonus	500,000.00	0.00	Related to income
Air Pollution Control Subsidy	900,000.00	0.00	Related to income
City Federation of Trade Unions technical contest award	5,000.00	0.00	Related to income
Environmental company tax refund	1,209,553.65	0.00	Related to income
Wuhan Hanyang District Economic and Information Bureau subsidy	4,000.00	0.00	Related to income
Hanyang "Excellence plan" subsidy	400,000.00	0.00	Related to income
Hanyang made quality award	300,000.00	0.00	Related to income
Employment stabilisation subsidies	47,500.00	0.00	Related to income
Other awards	106,035.43	25,422.50	Related to income
Total	25,336,275.56	19,931,320.03	

6.41 Non-operating expenses

Items	Current year	Prior year	Recognized in current year non-recurring profit and loss
Loss on non-current asset disposals	6,740,484.31	1,059,201.01	6,740,484.31
Within: Loss on fixed asset disposals	6,740,484.31	1,059,201.01	6,740,484.31
Late fee	0.00	6,245,908.75	0.00
Others	1,814,150.36	1,754,560.89	1,814,150.36
Total	8,554,634.67	9,059,670.65	8,554,634.67

6.42 Income tax expenses

6.42.1 Classification

Items	Current year	Prior year
Current tax calculated in accordance with relevant tax law	331,596,712.46	246,239,548.03
Deferred tax	-31,160,525.95	4,451,523.15
Total	300,436,186.51	250,691,071.18

6.42.2 The adjustment process of accounting profit and income tax expenses

Items	Current year
Profit before tax	1,150,754,284.03
According to the statutory/applicable tax rate calculation of the income tax expenses	287,688,571.01
Influence of different tax rates of subsidiaries	-3,905,409.41
The effect of adjustment prior period income tax	2,016,966.69
The influence of the untaxable income	-898,049.82
The influence of the undeduction of costs, expenses and losses	18,213,035.02
The influence of using the preliminary period deductible losses of unconfirmed deferred income tax assets	0.00
The influence of the unconfirmed deferred income tax assets attributable to the deductible temporary difference or deductible losses	361,377.00
Tax rate adjustment to the beginning balance of deferred income tax assets/liabilities	-202,347.52
Income tax credits	0.00
Collectively deductions	-2,837,956.46
Income tax expenses	300,436,186.51

6.43 Other comprehensive income

Please see Note 6.29 for detail.

6.44 Notes to the statement of cash flows

6.44.1 Other cash received relating to operating activities

Items	Current year	Prior year
Guarantee deposit	238,706,509.48	77,505,284.21
Government grants	4,491,635.43	1,831,372.50
Interest income	32,844,024.42	30,890,237.41
Withdrawn pledged deposit	0.00	36,100,000.00
Release of restricted monetary funds	51,945,425.70	0.00
Others	17,801,895.54	29,254,161.03
Total	345,789,490.57	175,581,055.15

6.44.2 Other cash payments relating to operating activities

Items	Current year	Prior year
Cash paid in sales expenses and general and administrative expense	1,275,520,798.23	1,029,809,058.13
To issue notes payable and the pledge of deposit or store paper margin	0.00	46,945,425.70
Others	2,117,428.76	8,134,570.09
Total	1,277,638,226.99	1,084,889,053.92

6.44.3 Other cash received relating to investing activities

Items	Current year	Prior year
Government grants related to assets	2,481,400.00	9,384,300.00
Total	2,481,400.00	9,384,300.00

6.44.4 Other cash payments relating to financing activities

Items	Current year	Prior year
Repayment of the original shareholder funds	104,376,537.45	0.00
Total	104,376,537.45	0.00

6.45 Supplementary information to the statement of cash flows

6.45.1 Reconciliation of cash flows from operating activities to net profit

Items	Current year	Prior year
① Reconciliation of cash flows from operating activities to net profit:		
Net profit	850,318,097.52	715,578,369.68

Items	Current year	Prior year
Add: Loss on asset impairment	11,620,353.98	-7,804,074.59
Depreciation of fixed assets, oil and gas assets, biological assets held for production	180,217,082.24	160,229,665.09
Amortisation of Investment properties	904,199.67	732,249.62
Amortisation of intangible assets	12,184,283.42	8,520,464.58
Amortisation of Long-term deferred expenditure	52,748,063.21	44,946,646.26
Loss on non-current assets disposal (gain presented by "-" prefix)	6,319,619.72	990,695.19
Loss on scrap of fixed assets (gain presented by "-" prefix)	0.00	0.00
Loss on fair value changes (gain presented by "-" prefix)	5,598.43	-42,203.41
Financial costs (gain presented by "-" prefix)	915,880.51	-2,060,867.27
Investment loss (gain presented by "-" prefix)	-97,837,461.25	-69,256,030.30
Decrease of deferred tax assets (increase presented by "-" prefix)	-30,599,267.22	2,178,749.87
Increase of deferred tax liabilities (increase presented by "-" prefix)	-561,258.73	2,272,773.28
Decrease of inventories (increase presented by "-" prefix)	-148,841,752.05	-170,547,934.01
Decrease of operating receivables (increase presented by "-" prefix)	98,273,049.63	-73,439,119.87
Increase of operating payables (decrease presented by "-" prefix)	252,191,237.86	181,911,098.42
Amortization of deferred income	-4,625,918.88	-4,100,947.53
Net cash flows generated from operating activities	1,183,231,808.06	790,109,535.01
② Significant investing and financing activities involve no cash:		
Debt-to-capital conversion	0.00	0.00
Convertible loan due within one year	0.00	0.00
Fixed assets acquired under financial lease	0.00	0.00
③ Movement of cash and cash equivalents:		
Cash as at 31/12/2016	527,849,026.07	1,040,373,733.07
Less: Cash as at 1/1/2016	1,040,373,733.07	682,360,442.79
Add: Cash equivalents as at 31/12/2016	0.00	0.00
Less: Cash equivalents as at 1/1/2016	0.00	0.00
Net increase of cash and cash equivalents	-512,524,707.00	358,013,290.28

6.45.2 Composition of cash and cash equivalents

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
① Cash	527,849,026.07	1,040,373,733.07
Including: Cash at hand	323,885.02	373,724.24
Demand bank deposit	527,379,498.81	1,040,000,008.83
Demand other monetary funds	145,642.24	0.00
② Cash equivalents	0.00	0.00
Including: Debt instrument matured within three months	0.00	0.00
③ Cash and cash equivalents as at 31/12/2016	527,849,026.07	1,040,373,733.07

6.46 Asses of which using rights are limited

Items	Balance at 31/12/2016	Reasons for limited
Monetary funds	5,060,000.00	Frozen by the Court
Notes receivable	33,483,200.00	Pledged
Total	38,543,200.00	

Note 7: Changes of scope of consolidated financial statements

7.1 Business combination involving entities not under common control

7.1.1 Business combination involving entities not under common control during the current year

The name of acquiree	The time of equity acquisition	The cost of equity acquisition	% of the equity acquisition	The way of the equity acquisition	Purchase date	The evidence to determine the purchase date	The acquiree's income from purchase date to the end of the year	The acquiree's net profit from purchase date to the end of the year
Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd	2016-5-31	816,000,000.00	51.00	purchase	2016-5-31	Payment of funds, equity and property management rights transfer.	354,950,364.64	42,220,477.84

7.1.2 Merger costs and goodwill

Item	Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd
Merger costs	
-Cash	816,000,000.00
Total of the merger costs	816,000,000.00
Less: fair value of the identifiable net assets obtained	337,716,504.71
Goodwill / the merger costs less than the fair value of the identifiable	478,283,495.29

Item	Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd
net assets obtained	

7.1.3 Identifiable assets and liabilities of the acquiree on the purchase date

Item	Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd	
	Fair value on purchase date	Book value on purchase date
Assets:		
Monetary funds	20,229,967.55	20,229,967.55
Accounts receivable	34,760,201.56	34,760,201.56
Advances from suppliers	4,407,727.79	4,407,727.79
Other receivables	9,738,404.96	9,738,404.96
Inventories	243,852,748.91	243,852,748.91
Fixed assets	279,584,776.71	243,277,198.99
Construction in progress	153,471.83	153,471.83
Intangible assets	410,306,333.16	32,625,633.17
Deferred tax assets	15,990,326.30	15,990,326.30
Liabilities:		
Notes payable	5,000,000.00	5,000,000.00
Accounts payable	52,341,472.38	52,341,472.38
Advances from customers	52,282,383.20	52,282,383.20
Employment benefits payable	3,347,004.08	3,347,004.08
Taxes and fees payable	21,780,839.62	21,780,839.62
Other payables	111,712,680.59	111,712,680.59
Other current liabilities	6,873,284.08	6,873,284.08
Deferred tax liabilities	103,497,069.90	0.00
Net assets	662,189,224.92	351,698,017.11
Less: minority interests	324,472,720.21	172,332,028.38
The net assets obtained	337,716,504.71	179,365,988.73

7.2 Other changes

The Company has newly incorporated direct subsidiaries Anhui Gujing Yunshang Electronic Commerce Co., Ltd. and Anhui Zhenrui Construction Engineering Co., Ltd. A direct subsidiary Bozhou Gujing Packing Co., Ltd was liquidated during the current reporting year.

Note 8: Interest in other entities

8.1 Interest in subsidiaries

8.1.1 The construction of the group

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
Bozhou Gujing Sales Co., Ltd. (hereafter Gujing Sales)	Anhui Bozhou	Anhui Bozhou	Commercial trade	100.00		Set up
Bozhou Gujing Transportation Co., Ltd. (hereafter Gujing Transportation)	Anhui Bozhou	Anhui Bozhou	Motor transport	99.00	1.00	Set up
Anhui Longrui Glass Co., Ltd (hereafter Longrui Glass)	Anhui Bozhou	Anhui Bozhou	Manufacture	99.00	1.00	Set up
Bozhou Gujing Waste Reclamation Co., Ltd. (hereafter Gujing Waste)	Anhui Bozhou	Anhui Bozhou	Waste recycle		100.00	Set up
Anhui Jinyunlai Culture & Media Co.,Ltd. (hereafter Jinyunlai)	Anhui Hefei	Anhui Hefei	Advertisement marketing		100.00	Set up
Anhui Ruisiweier Technology Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Technical research	100.00		Set up
Anhui colorful taste wine co., Ltd.	Anhui Bozhou	Anhui Bozhou	Manufacture	100.00		Set up
Shanghai Gujing Jinhao hotel management company	Shanghai	Shanghai	Hotel manage	100.00		Bussiness Combinations Under the Same control
Bozhou Gujing hotel Co.Ltd	Anhui Bozhou	Anhui Bozhou	Hotel operating	100.00		Bussiness Combinations Under the Same control
Anhui Yuanqing environmental protection Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Sewage treatment	100.00		Set up
Anhui Gujing Yunshang Electronic Commerce Co., Ltd	Anhui Hefei	Anhui Hefei	Electronic commerce	100.00		Set up
Anhui Zhenrui Construction Engineering Co., Ltd	Anhui Bozhou	Anhui Bozhou	Construction	100.00		Set up

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
Bozhou Gujing Distillery Marketing Co., Ltd	Anhui Bozhou	Anhui Bozhou	Commercial trade		100.00	Set up
Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd	Hubei Wuhan	Hubei Wuhan	Manufacture	51.00		Business Combinations Not Under the Same control
Tianlong Yellow Crane Tower Wine Xianning Co., Ltd	Hubei Xianning	Hubei Xianning	Manufacture		51.00	Business Combinations Not Under the Same control
Hubei Yellow Crane Tower Wine Co., Ltd	Hubei Suizhou	Hubei Suizhou	Manufacture		51.00	Business Combinations Not Under the Same control
Wuhan Tianlong Jindi Technology Development Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Business Combinations Not Under the Same control
Xianning Junhe Sales Co., Ltd	Hubei Xianning	Hubei Xianning	Commercial trade		51.00	Business Combinations Not Under the Same control
Hubei Junhe Advertising Co., Ltd	Hubei Wuhan	Hubei Wuhan	Advertisement marketing		51.00	Business Combinations Not Under the Same control
Wuhan Yashibo Technology Co., Ltd.	Hubei Wuhan	Hubei Wuhan	Technology development		51.00	Set up
Wuhan Junya Sales Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Set up

Note 9: The risk associated with financial instruments

The main financial instruments of the Company include equity investments, financial products, trust investment,

accounts receivable, accounts payable and etc., please see Note 6 for detail of related items. The risk associated with financial instruments, and risk management policies which the company uses to reduce these risks are described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range.

9.1 The targets and policies of risks management

The target of risks management is to obtain the proper balance between the risks and benefits, to reduce the negative impact that is caused by the risk of the Company to the lowest level, and to maximize the benefits of shareholders and other equity investors. Based on the targets of risk management, the basic strategy of the Company's risk management is to identify and analyze the risks which are faced by the Company, establish suitable risk tolerance baseline and proceed the risk management, and supervise a variety of risks timely and reliably, and control the risk within a limited range.

9.1.1 Market Risk

9.1.1.1 Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations generally. The main business of the company is in the mainland of China and trading with RMB, the market risk is very small

9.1.1.2 Interest rate risk - the risk of changes in cash flow

The operating fund of the company is sufficient and there is no loan in recent years, so that the risk of interest is very small for the company.

9.1.1.3 Other price risk

The financial asset available for sale and financial asset for trading of the company are measured by fair value. So the company bears the risk of the change of security market. To decrease the risk, the company hold a combination of several equities and securities.

9.1.2. Credit Risk

The maximum risk exposure that could cause the Company's financial losses is associated with the default by the other party of a transaction and the financial guarantee provided by the Company as at 31 December 2016. The detail is listed below:

The carrying value of the Financial assets that is recognized in the consolidated financial statement. For the financial instrument measured by fair value, the carrying value only represents the risk exposure, but the maximum risk exposure will change with the future fair value.

The company only trade with authorized company with high credit record and large scale. According to the policies of the company, the client needs to pay first then receive the goods. Only a few companies are provided with credit. Credit review is performed for customers trading with credit.

The current asset of the company is deposited in the bank with the high credit record. So the credit risk of the current asset is low

9.1.3 Liquidity risk

When managing liquidity risk, the Company maintains and monitors adequate cash and cash equivalents decided by the management in order to meet the needs of operation of the Company, and to reduce the impact of fluctuations in cash flows.

Note 10: Disclosure of the fair value

10.1 The fair value at the end of current year of assets and liabilities which are measured by fair value

Items	The fair value at the end of current year			
	The first level measured by fair value	The second level measured by fair value	The third level measured by fair value	Total
1. Continuous measurement by fair value				
1.1 The financial assets are measured by fair value and the changes are recognized into current profit or loss	429,190.68			429,190.68
1.1.1 Trading financial assets	429,190.68			429,190.68
Equity instruments investment	429,190.68			429,190.68
1.2 Financial asset available for sale	404,029,552.27			404,029,552.27
Equity instruments investment	404,029,552.27			404,029,552.27
Total amount of liabilities continuous measurement by fair value	404,458,742.95			404,458,742.95

10.2 Determined on the basis of continuous first level for fair value measurement of the market of project

The sustaining fair value measurement project is the stock that publicly traded in Shanghai stock exchange or Shenzhen stock exchange, and the price is confirmed based on the stock's closing price on the balance sheet date. If the holdings of shares in a restricted period, in accordance with the securities and futures commission as stated in the KUAJI ZI [2007] 21 HAO related valuation method to determine the value.

Note 11: Related parties and related party transaction

11.1 Details of the parent

Parents	Relationship	Nature of business	Registered capital	Shareholding in the Company %	Voting right in the Company %
Gujing Group	Anhui	Drink, building materials	1,000,000,000.00	53.89	53.89

Parents	Relationship	Nature of business	Registered capital	Shareholding in the Company %	Voting right in the Company %
		manufacture plastic products			

Note: The ultimate controller is the government of Bozhou, Anhui province.

11.2 Subsidiaries

See Note 8.1 The equity in subsidiaries for details.

11.3 Details of other related parties

Other related parties	Relationship
Anhui Ruifuxiang Food Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Ruijing catering management Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Haochidian Catering Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Shanghai Ruiyao Hotel Management Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Shanghai Beihai Hotel Co., Ltd	Affiliate of the actual controller and controlling shareholder
Anhui Ruijing Business Travel (Group) Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Bozhou Hotel Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Gujing Real Estate Group Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Orient Ruijing Enterprise Investment Development Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Hengxin Pawn Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Bozhou Ruineng Thermal Power Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Hefei Gujing Holiday Hotel Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Bozhou Furuixiang high protein feed Co. Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Ruijing restaurant management Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Ruixin pawn Co. Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Zhongxin finance lease Co. Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Huixin finance invest group Co.Ltd.	Affiliate of the actual controller and controlling shareholder
Hefei Longxin Financial Management Consulting Co., Ltd	Affiliate of the actual controller and controlling shareholder
Bozhou Anxin Micro Finance Co., Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Gujing Ecological industrial park management Co.Ltd.	Affiliate of the actual controller and controlling shareholder
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Affiliate of the actual controller and controlling shareholder

Other related parties	Relationship
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Affiliate of the actual controller and controlling shareholder
Anhui gujing hotel management Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Youxin Financing guarantee Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Aoxin Real estate development Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Lixin Electronic commerce Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Xinxin Property management Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Gujing Huishenglou Catering Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Bozhou Gujing Junlai Hotel management Co.,Ltd	Affiliate of the actual controller and controlling shareholder
Anhui Gujing Property management Co.,Ltd.	Affiliate of the actual controller and controlling shareholder
Anhui Gujing Real estate development Co.,Ltd.	Affiliate of the actual controller and controlling shareholder

11.4 Transactions with related parties

11.4.1 Transactions through purchase or sell goods and accept or supply services

11.4.1.1 The situation of purchases goods or accepts services

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Anhui Ruifuxiang Food Co., Ltd	Purchase of material	1,827,574.51	2,852,022.30
Bozhou Hotel Co., Ltd.	Accept catering and accommodation service	2,495,522.44	1,217,174.90
Anhui Ruijing Catering management Co., Ltd	Accept catering	65,282.00	0.00
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Afforestation fees	377,811.42	0.00
Hefei Gujing Holiday Hotel	Purchase of goods	608,321.93	3,359,534.47
Hefei Gujing Holiday Hotel	Accept restaurant and hotel service	33,317.89	141,502.71
Anhui gujing hotel management Co.,Ltd.	Accept restaurant and hotel service	210,415.00	121,487.00
Bozhou Gujing Junlai Hotel management Co.,Ltd	Accept restaurant and hotel service	459,023.00	552,171.00
Anhui Gujing Huishenglou Catering Co.,Ltd.	Accept restaurant and hotel service	3,559,381.00	4,378,795.00
Total		9,636,649.19	12,622,687.38

11.4.1.2 The situation of sells goods or rendering services

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Gujing Group	Sales of micro metrail	62,081.16	200,364.98
Gujing Group	Provide catering and accommodation service	338,828.62	294,505.60
Gujing Group	Provide advertising service	5,849.06	0.00
Anhui Ruifuxiang Food Co., Ltd	Sales of distilled spirit	362,589.75	199,461.54
Bozhou Hotel Co., Ltd.	Sales of distilled spirit	79,658.12	131,538.47
Bozhou Gujing Hotel Co., Ltd.	Sales of distilled spirit	30,094.36	10,153.85
Anhui Gujing Real Estate Group Co., Ltd.	Sales of distilled spirit	53,125.12	44,692.31
Anhui Gujing Real Estate Group Co., Ltd.	Provide advertising service	28,301.88	0.00
Anhui Gujing Real Estate Group Co., Ltd.	Provide catering and accommodation service	0.00	5,550.00
Anhui Ruijing catering Co., Ltd.	Sales of distilled spirit	3,076.92	109,786.32
Anhui Haochidian Catering Co., Ltd.	Sales of distilled spirit	3,051.28	0.00
Shanghai Ruiyao Hotel Management Co., Ltd.	Sales of distilled spirit	4,461.54	0.00
Shanghai Beihai Hotel Co., Ltd	Sales of distilled spirit	8,153.85	0.00
Hefei Longxin Financial Management Consulting Co., Ltd	Sales of distilled spirit	6,923.08	0.00
Bozhou Ruineng Thermal Power Co., Ltd.	Sales of distilled spirit	168,252.32	132,923.07
Bozhou Ruineng Thermal Power Co., Ltd.	Provide advertisement service	0.00	14,245.28
Anhui Hengxin Pawn Co., Ltd.	Sales of distilled spirit	9,300.51	4,692.31
Bozhou Anxin Micro fiannce Co., Ltd	Sales of distilled spirit	7,081.03	2,230.77
Bozhou Anxin Micro fiannce Co., Ltd	Provide catering and accommodation service	1,960.00	0.00
Anhui Ruijing Business Travel (Group) Co., Ltd	Sales of distilled spirit	3,058,386.32	1,045,620.52
Anhui Ruijing Business Travel (Group) Co., Ltd	Provide catering and accommodation service	5,500.00	0.00
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Sales of micro metrail	5,461.03	0.00
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Sales of distilled spirit	10,341.88	0.00
Hefei Gujing Holiday Hotel Co., Ltd	Sales of distilled spirit	0.00	703,846.16

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Hefei Gujing Holiday Hotel Co., Ltd	Provide catering and accommodation service	4,369.31	0.00
Anhui gujing hotel management Co.,Ltd.	Sales of distilled spirit	55,384.64	453,495.71
Anhui Zhongxin finance lease Co. Ltd.	Provide catering and accommodation service	3,000.00	0.00
Anhui Zhongxin finance lease Co. Ltd.	Sales of distilled spirit	7,157.96	1,999.99
Anhui Ruixin pawn Co. Ltd.	Sales of distilled spirit	27,363.09	2,153.85
Anhui Huixin finance invest group Co.Ltd.	Sales of distilled spirit	17,841.03	17,307.69
Anhui Huixin finance invest group Co.Ltd.	Provide advertisement service	0.00	5,566.04
Bozhou Furuixiang high protein feed Co. Ltd.	Sales of micro metrail	0.00	45,853.01
Bozhou Furuixiang high protein feed Co. Ltd.	Sales of distilled spirit	23,641.03	15,073.07
Anhui Youxin Financing guarantee Co.,Ltd.	Sales of distilled spirit	14,335.39	3,445.57
Anhui Youxin Financing guarantee Co.,Ltd.	Provide catering and accommodation service	580.00	0.00
Anhui Youxin Financing guarantee Co.,Ltd.	Provide advertisement service	0.00	2,830.19
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Sales of distilled spirit	370,904.61	2,230.77
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Sales of micro metrail	36,044.26	43,506.53
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Provide catering and accommodation service	42,840.00	0.00
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Water and electricity fees	62,374.00	0.00
Anhui Aoxin Real estate development Co.,Ltd.	Sales of distilled spirit	7,581.55	1,230.76
Anhui Lixin Electronic commerce Co.,Ltd.	Sales of distilled spirit	7,021.54	1,076.92
Anhui Xinxin Property management Co.,Ltd.	Sales of distilled spirit	31,998.97	10,615.39
Anhui Gujing Huishenglou Catering Co.,Ltd.	Sales of distilled spirit	26,794.87	151,598.29
Bozhou Gujing Junlai Hotel management Co.,Ltd	Sales of distilled spirit	5,076.92	6,153.85
Anhui Gujing Property management Co.,Ltd.	Sales of distilled spirit	43,230.77	14,538.46
Anhui Gujing Real estate development Co.,Ltd.	Sales of distilled spirit	95,537.44	180,923.07
Anhui Gujing Real estate development Co.,Ltd.	Provide catering and	1,220.00	0.00

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
	accommodation service		
Anhui Gujing Ecological industrial park management Co.Ltd.	Sales of micro metrail	0.00	251,503.76
Total		5,136,775.21	4,110,714.10

11.4.2 Lease between related parties

11.4.2.1 The Company is as the Lessee

lessor	Classification	Lease rental recognized in current year	Lease rental recognized in prior year
Gujing Group	Buildings and constructions	2,190,476.25	2,300,000.00
Bozhou Hotel Co.Ltd.	Buildings and constructions	20,000.00	0.00

11.4.2.2 The Company is as the lessor

Lessee	Classification	Lease rental recognized in current year	Lease rental recognized in prior year
Anhui gujing hotel management Co.,Ltd.	Buildings and constructions	347,402.13	201,055.54

11.5 The balance of payables and receivables among related parties

11.5.1 Receivables owed by related parties

Related party	Balance as at 31/12/2016	Balance as at 31/12/2015
Other receivables:		
Dazhongyuan Wine valley culture tourism development Co., Ltd.	0.00	6,186.47
Total	0.00	6,186.47

11.5.2 Payables owed to related parties

Related party	Balance as at 31/12/2016	Balance as at 31/12/2015
Receivable in advance:		
Anhui Ruijing catering management Co., Ltd.	599,136.01	299,280.01
Hefei Gujing Holiday Hotel Co., Ltd.	0.00	16,100.00
Bozhou Hotel Co., Ltd.	36,000.00	10,000.00
Anhui Gujing Real Estate Group Co., Ltd.	0.00	5,015.00
Anhui Lixin Electronic commerce Co.,Ltd.	0.00	2,419.20
Bozhou Furuixiang high protein feed Co. Ltd.	13,200.00	0.00
Anhui Haochidian catering Co., Ltd.	115,200.00	0.00
Anhui Ruifuxiang Food Co., Ltd	195,200.00	0.00

Related party	Balance as at 31/12/2016	Balance as at 31/12/2015
Total	958,736.01	332,814.21
Accounts payable		
Anhui Gujing Huishenglou Catering Co.,Ltd.	0.00	10,000.00
Total	0.00	10,000.00
Other payable:		
Anhui Gujing Huishenglou Catering Co.,Ltd.	15,500.00	24,500.00
Anhui Ruifuxiang Food Co., Ltd.	0.00	2,000.00
Hefei Gujing Holiday Hotel Co., Ltd.	0.00	24,000.00
Anhui gujing hotel management Co.,Ltd.	0.00	3,600.00
Anhui Ruijing restaurant management Co., Ltd.	0.00	1,200.00
Anhui Ruijing Business Travel (Group) Co., Ltd	38,043.40	69,568.74
Bozhou Hotel Co., Ltd.	0.00	23,400.00
Total	53,543.40	148,268.74

Note 12: Commitments and contingencies

12.1 Important commitments

Irrevocable lease contracts under performance and their financial effects as at the end of current year.

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
The minimum lease payments of irrevocable operating lease contracts:		
1st year after the balance sheet date	2,300,000.00	2,300,000.00
2nd year after the balance sheet date	2,300,000.00	2,300,000.00
3rd year after the balance sheet date	2,300,000.00	2,300,000.00
Subsequent years	23,958,333.33	26,258,333.33
Total	30,858,333.33	33,158,333.33

12.2 Contingencies

12.2.1 Because of the infringement of the Company's trademark rights in the market, the Company filed lawsuits against the behavior of infringement. Since the claimed amounts are insignificant individually or in aggregate, it is not expected to have a significant impact on the Company.

12.2.2 Other than the above matters, the Company has no other contingencies.

Note 13: Post reporting date events

On 26 April 2017, the Company held 8th meeting of seventh session board of directors which approved profit distribution plan for the year of 2016. The company plan to use the total share of 503,600,000.00 of the company at 31/12/2016 as a base, to distribute CNY 6.00 (before tax) for every 10 shares, and as result to distribute CNY 302,160,000.00 to the all shareholder. The profit distribution plan is pending resolution by the shareholders'

meeting.

Note 14: Other signification events

Operation division information

The company donot confirmed the operation division in accordance with the internal organizational structure, management requirements and internal reporting system, so that there has no need to disclose division information report on the basis of the operation division.

Note 15: Notes to the main elements of the separate financial statement of the Company

15.1 Accounts receivable

15.1.1 Disclosure by classification

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk	6,979,229.19	100.00	601,883.19	8.62	6,377,346.00
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	6,979,229.19	100.00	601,883.19	8.62	6,377,346.00

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject	4,940,776.33	100.00	590,339.09	11.95	4,350,437.24

Items	Balance as at 31/12/2015				Book value
	Carrying amount		Allowance for bad debt		
	Amount	% of total	Amount	% of total	
to impairment by credit risk					
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	4,940,776.33	100.00	590,339.09	11.95	4,350,437.24

15.1.1.1 Accounts receivable using the age analysis method for measurement of allowance for bad debt

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	0.00	0.00	0.00
Include: within 6 months	0.00	0.00	0.00
7-12 months	0.00	0.00	0.00
1 to 2 year	141,121.87	14,112.19	10.00
2 to 3 year	0.00	0.00	0.00
Over 3 years	587,771.00	587,771.00	100.00
Total	728,892.87	601,883.19	82.57

15.1.1.2 Accounts receivable using the other method for measurement of allowance for bad debt

Related parties	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Related parties	6,250,336.32	0.00	0.00
Total	6,250,336.32	0.00	0.00

15.1.2 Recognition, recovery and reversal of allowance for bad debt

Reversal of the allowance is CNY 11,544.10.

15.1.3 Accounts receivable written off during the current year

There is no accounts receivable written off during the current year.

15.1.4 Details of top five accounts receivable

The total amount of top five accounts receivables which are summarized by the balance as at the end of current year is CNY6,716,483.19, accounting for 96.24% of the total accounts receivable balance as at the end of current year, the total amount of corresponding allowance for bad debts is CNY 506,657.19.

15.2 Other receivable

15.2.1 Disclosure by classification

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	41,342,938.53	28.07	41,342,938.53	100.00	0.00
Other receivable portfolio subject to impairment by credit risk	105,925,699.86	71.93	410,793.52	0.39	105,514,906.34
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	147,268,638.39	100.00	41,753,732.05	28.35	105,514,906.34

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	41,342,938.53	27.69	41,342,938.53	100.00	0.00
Other receivable portfolio subject to impairment by credit risk	107,957,715.78	72.31	332,695.93	0.31	107,625,019.85
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	149,300,654.31	100.00	41,675,634.46	27.91	107,625,019.85

15.2.1.1 Other receivable of individual significance subject to individually assessment for impairment

Other receivable	Balance at 31/12/2016			
	Other receivable	Allowance	% of total	Reasons
Jiaoqiao securities	11,840,500.00	11,840,500.00	100.00	Company went through bankrupt
Hengxin securities	29,502,438.53	29,502,438.53	100.00	Company went through bankrupt

Other receivable	Balance at 31/12/2016			
	Other receivable	Allowance	% of total	Reasons
Total	41,342,938.53	41,342,938.53	—	—

15.2.1.2 Other receivables using the age analysis method for measurement of allowance for bad debt

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	1,088,982.87	12,358.67	1.13
Include: within 6 months	1,052,261.97	10,522.62	1.00
7 to 12 months	36,720.90	1,836.05	5.00
1 to 2 years	19,870.70	1,987.07	10.00
2 to 3 years	704,476.40	352,238.20	50.00
Over 3 years	44,209.58	44,209.58	100.00
Total	1,857,539.55	410,793.52	22.11

15.2.1.3 Accounts receivable using the other method for measurement of allowance for bad debt

Related parties	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Related parties	104,068,160.31	0.00	0.00
Total	104,068,160.31	0.00	0.00

15.2.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the current year is CNY 78,097.59.

15.2.3 Accounts receivable written off during the current year

There has no other receivable written off during the current reporting period.

15.2.4 Classification of other receivable

Nature	Balance at 31/12/2016	Balance at 31/12/2015
Related party balance in consolidation	104,068,160.31	105,475,000.00
Investment in securities	41,342,938.53	41,342,938.53
Deposit and Assurant	1,191,658.09	1,295,081.09
Employee borrowing	72,924.00	209,766.20
Rent, water and gas	296,244.71	327,679.52
Others	296,712.75	650,188.97
Total	147,268,638.39	149,300,654.31

15.2.5 Details of top five other receivable:

Debtor	Related party relationships	Nature	Balance as at 31/12/2016	Age	% of total amount	Allowance balance at the year end
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Debtor	Related party relationships	Nature	Balance as at 31/12/2016	Age	% of total amount	Allowance balance at the year end
The first	Subsidiary	Related party balance	87,465,000.00	Within 3 years	59.39	0.00
The second	Third party	Invest in securities	29,502,438.53	Over 3 years	20.03	29,502,438.53
The third	Subsidiary	Related party balance	16,171,003.05	Within 6 months	10.98	0.00
The forth	Third party	Invest in securities	11,840,500.00	Over 3 years	8.04	11,840,500.00
The fifth	Third party	Prepaid electricity fee	102,265.55	Within 6 months	0.07	1,022.66
Total		—	145,081,207.13	—	98.51	41,343,961.19

15.3 Long-term equity investments

15.3.1 Disclosure by classification

Items	Balance as at 31/12/2016			Balance as at 31/12/2015		
	Carrying amount	allowance for bad debts	Net carrying amount	Carrying amount	allowance for bad debts	Net carrying amount
Invest to subsidiaries	1,155,089,408.32	0.00	1,155,089,408.32	354,089,408.32	0.00	354,089,408.32
Total	1,155,089,408.32	0.00	1,155,089,408.32	354,089,408.32	0.00	354,089,408.32

15.3.2 Details of long-term equity investments

Name	Balance as at 31/12/2015	Increase during current year	Decrease during current year	Balance as at 31/12/2016	Impairment allowance	Carrying amount of impairment allowance as at 31/12/2016
Gujing Sales	84,864,497.89	0.00	0.00	84,864,497.89	0.00	0.00
Longrui Glass	85,793,666.00	0.00	0.00	85,793,666.00	0.00	0.00
Shanghai Gujing Jinhao	49,906,854.63	0.00	0.00	49,906,854.63	0.00	0.00
Gujing Hotel	648,646.80	0.00	0.00	648,646.80	0.00	0.00
Gujing Transportation	6,875,743.00	0.00	0.00	6,875,743.00	0.00	0.00
Gujing Packaging	30,000,000.00	0.00	30,000,000.00	0.00	0.00	0.00
Anhui Ruisiweier	50,000,000.00	0.00	0.00	50,000,000.00	0.00	0.00
Anhui colorful taste Co.Ltd	30,000,000.00	0.00	0.00	30,000,000.00	0.00	0.00
Anhui Yuanqing	16,000,000.00	0.00	0.00	16,000,000.00	0.00	0.00

Name	Balance as at 31/12/2015	Increase during current year	Decrease during current year	Balance as at 31/12/2016	Impairment allowance	Carrying amount of impairment allowance as at 31/12/2016
environmental protection Co., Ltd.						
Anhui Gujing Yunshang Electronic Commerce Co., Ltd.	0.00	5,000,000.00	0.00	5,000,000.00	0.00	0.00
Anhui Zhenrui Construction Engineering Co., Ltd	0.00	10,000,000.00	0.00	10,000,000.00	0.00	0.00
Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd	0.00	816,000,000.00	0.00	816,000,000.00	0.00	0.00
Total	354,089,408.32	831,000,000.00	30,000,000.00	1,155,089,408.32	0.00	0.00

15.4 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Revenue from principal operating activities	3,255,168,021.47	1,396,232,148.48	2,964,146,832.70	1,505,986,199.51
Revenue from other operating activities	53,231,228.56	40,562,309.03	42,921,317.48	30,332,052.29
Total operating revenue	3,308,399,250.03	1,436,794,457.51	3,007,068,150.18	1,536,318,251.80

15.5 Investment income

Items	Current year	Prior year
Investment income from long term equity investment using cost method	415,883,385.13	505,901,386.51
Investment income from disposal of financial assets measured by fair value with changes in fair value recognised in profit or loss	13,091,633.55	7,160,227.36
Investment income from available for sale financial asset during the holding period	77,779,247.77	61,455,959.33
Investment income from disposal of available for sale financial assets	283,347.55	0.00
Total	507,037,614.00	574,517,573.20

Note 16: Supplementary information

16.1 Extraordinary gains or losses for current year

Supplemental information	Total amount	Explanation
Gains or losses arising from disposal of non-current assets	-6,319,619.72	
Tax repayments or waiving of taxes not officially authorized or not with proper authorization	0.00	
Government grants accounted for through profit or loss for the current reporting period (excl. grants directly associated with the Company's operations and subject to national quotas)	25,336,275.56	
Cost of monetary funds charged on non-financial institutions accounted for through profit or loss for the current reporting period	0.00	
Gains from the investment costs paid less than the acquirer's interest in the fair value of the bargainor's identifiable net assets(During acquire subsidiary、joint venture and associates)	0.00	
Gains or losses arising from non-monetary assets exchange	0.00	
Gains or losses arising from entrusted assets and investments	0.00	
Impairment allowances arising from force majeure, such as natural disasters	0.00	
Gain or loss arising from debt restructuring	0.00	
Restructuring expenses, such as employee settlement and relocation costs and costs of integration	0.00	
Gains or losses arising from transactions of which the prices are deemed unfair (the difference between the price and the fair value)	0.00	
Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the current reporting period to the combination dates.	0.00	
Gains or losses arising from contingent events not associated with the Company's operating activities	0.00	
Gains or losses arising from changes in the fair values of financial instruments held for trading (excl. effective hedging instruments associated with the Company's operating activities) or disposal of financial instruments held for trading and available-for-sale financial assets (excl. effective hedging instruments associated with the Company's operating activities)	16,263,956.97	
Recovery of impairment allowance for receivables subject to individual assessment for impairment	0.00	
Gains or losses arising from entrusted borrowings	0.00	

Supplemental information	Total amount	Explanation
Gains or losses arising from changes in the fair values of investment property measured at fair value	0.00	
Impact of one-off adjustment required by tax laws, accounting standards and relevant regulations on the profit or loss for the current reporting period	0.00	
Revenue arising from entrusted operation	0.00	
Other non-operating revenue and non-operating expenses not listed above	14,343,655.95	
Other gains or losses satisfying the definition of extraordinary gains or losses	0.00	
Subtotal	49,624,268.76	
Less: Effect of corporate income tax	12,229,198.63	
Less: Net amount attributable to minority interests (after tax)	299,105.29	
Total	37,095,964.84	

Note: Extraordinary gains or losses event use “+” express revenue and income, “-” express loss and expenditure. The Company recognized non-recurring categories of activities in accordance with the Explanatory Announcement regarding Information Disclosure by Publicly Listed Company No. 1 - Non-recurring Profit and Loss (ZhengjianhuiGonggao [2008] No.43).

16.2 Yield Rate of Net Assets and Earnings per Share

Profits for the reporting period	Weighted average yield rate of net assets%	Earnings Per Share(Yuan per share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders	15.88	1.65	1.65
Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses)	15.17	1.57	1.57

