

YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

The 1st Quarter Report of 2012

1. Important

1.1 The Board of Directors, board of Supervisors, senior managers of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report and confirm that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

1.2 No directors, supervisors or senior managers have any dissidence.

1.3 All directors personally attended the Board of Directors' meeting to deliberate this report.

1.4 The 1st quarter report of 2012 has not been audited.

1.5 The chairman of the Board of Directors Mr. Sun Liqiang, the chief accountant Mr. Leng Bin and the chief of accounting department Mr. Jiang Jianxun assure the truth and integrity of the financial and accounting statement in this report.

2. THE BASIC INFORMATION OF THE COMPANY

2.1 Main accountant data and financial index

Unit: CNY

	At end of the report period	At end of last year	More or less (%)
Total assets (CNY)	7,562,703,758.00	7,295,944,221.00	3.66%
Owner's equity attributed to shareholders of listing company (CNY)	5,617,927,029.00	5,013,641,661.00	12.05%
Total share capital (share)	527,280,000.00	527,280,000.00	0.00%
Net asset per share attributed to shareholders of listing company (CNY/share)	10.65	9.51	11.99%
	During the report period	1 st quarter of last year	More or less (%)
Total operation revenue (CNY)	1,912,443,670.00	2,090,018,976.00	-8.50%
Net profit attributed to shareholders of listing company (CNY)	604,285,368.00	562,581,659.00	7.41%
Net cash flow from operating activities (CNY)	497,140,869.00	1,084,182,965.00	-54.15%
Net cash flow per share from operating activities(CNY/share)	0.94	2.06	-54.37%
Basic Earnings per Share(CNY/share)	1.15	1.07	7.48%
Diluted Earnings per Share (CNY/share)	1.15	1.07	7.48%
Weighted average rate of net assets return	11.08%	12.01%	-0.93%
Weighted average rate of net assets return after deducting irregular profit and loss	11.14%	12.01%	-0.87%

Details of irregular profit and loss

(√) applicable not applicable

Unit: CNY

	From beginning of year to end of report period	Notes
Gain on disposal of non-current assets	-1,171,257.00	
Tax refund or exemption that is either non-recurring or without proper approval	2,016,365.00	
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	2,417,563.00	
Other non-operating income and expenses	782,925.00	
Corporate income tax	-942,304.00	
Total	3,103,292.00	-

2.2 The total number of the shareholders and top 10 shareholders with unrestricted shares at the end of the report period

Unit: share

Total number of shareholders	15,297shareholders, including 10,030 shareholders with A shares, 5,267 shareholders with B shares	
The top 10 shareholders with unrestricted shares		
Name of Shareholders	Number of unrestricted shares at end of report period	The Type of shares
YANTAI CHANGYU GROUP CO. LTD.	265,749,120	A shares
GAO-LING FUND, L.P.	18,676,716	B shares
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	16,482,843	B shares
BBH BOS S/A FIDELITY FD-CHINA FOCUS FD	10,373,597	B shares
GOVERNMENT OF SINGAPORE INV. CORP. -A/C "C"	7,819,045	B shares
BBH LUX-FIDELITY FUNDS-EMERGING MARKETS FUND	4,528,086	B shares
UBS (LUXEMBOURG) S.A	4,297,636	B shares
NORGES BANK	4,264,083	B shares
CHINA UNIVERSAL GROWTH FOCUS EQUITY SECURITIES INVESTMENT FUND	3,739,931	A shares
HTHK-MANULIFE CHINA VALUE FUND	3,556,383	B shares

3. MAJOR ISSUES

3.1 The Great Change and Reasons on Main Accountant Data and Financial Index

(√)applicable

At end of report period, the notes receivable increased by 83.32% compared with beginning of report period, mainly due to the growth on bank acceptances from the clients. The non-current liabilities due within one year increased by 69.04%, while other non-current liabilities dropped by 51.43% compared with beginning of report period, mostly because part of other non-current liabilities which will due within one year was listed in the non-current liabilities due within one year. During report period, compared with same period of last year, the managerial expenses fell by 39.80% because of decrease of afforestation expenses, the non-operating income increased by 515.33%, mostly contributed by growth on governmental subsidy, the non-operating expenditures increased by 176.14% mainly because of retirement of part of fixed assets, and other cash paid related to operating activities increased by 81.90% mostly due to the growth on advertisement expenditure and freight paid.

3.2 Analysis and explanation on the progress, impact and solution of major issues

3.2.1 Non-standard opinions

(√)not applicable

3.2.2 The situation on the company providing funds to the controlling shareholders or its affiliates and acting against the prescribed procedures to provide external guarantees

(√)not applicable

3.2.3 The situation on the signature and performance on the major contracts in the daily operations

(√)not applicable

3.2.4 Others

(√) not applicable

3.3 The Execution of Promised Issues by the Company, Shareholders and Actual Controller

The promised issues from the Company, its directors, supervisors and senior officers, or its shareholders with shares over 5% or its actual controller during the report period or such promised issues carried out to the report period.

(√) applicable

Commitment items	Committed person	Commitment content	Performance situation
Share reform commitment	Yantai Changyu Group Co. Ltd.	<p>1. From the day of being granted the right of circulation on stock market as March 21st,2006, Changyu Group will not transact or transfer its shareholding in the Company within 36 months</p> <p>2. Within 12 months as from the day of the expiry of the afore-said promising period, the amount of the former non-circulating stock that Changyu Group may list for transaction at Stock Exchange can't be over 5% of its total and within 24 months after that, can't be over 10% of its total.</p> <p>3. Changyu Group also promised to propose over the shareholders' meetings 2005, 2006 and 2007 to distribute the Company's profit in cash no less than 65% of the distributable profit realized in the same year and ensure to vote for aye for this proposal.</p>	It has already been fulfilled.
Commitments in the acquisition	No.	No.	No.

report or report of changes in equity			
Commitments when making major assets restructuring	No.	No.	No.
Issuance Commitments	Yantai Changyu Group Co. Ltd.	Non-horizontal competition	It is still in performance.
Other commitments (including additional commitments)	Yantai Changyu Group Co. Ltd.	The Company has well noted the <i>Securities Law, Administration Methods of Takingover Listed Companies, Guidance on Releasing the Limited Shares Transfer of the Listed Companies</i> and the relative business rules of Shenzhen Stock Exchange, and will strictly obey the relevant provisions of above documents, faithfully carry out the commitments and bear the corresponding legal responsibility, when in the future reducing the holding of the shares with releasing restrictions on sale price in this time.	Under performance.

3.4 Warning and explanation for the estimation on the possible loss of cumulative net profit in the period from the beginning of this year to the end of the next report period or the great change comparing with same period of last year.

(√) not applicable

3.5 Other major issues

3.5.1 Securities investment

(√) not applicable

3.5.2 The Company's Receptions, Studies and Visits during report period

Reception date	Reception place	Reception way	Visitor	Main topic and material provided
Jan.10, 2012	Meeting room of the Company	Field survey	Orient Securities	Principal operation, future development
Jan.10,2012	Meeting room of the Company	Field survey	Hengtai Securities	Principal operation, future development
Jan. 16, 2012	Meeting room of the Company	Field survey	Yuren Chuangxin Investment	Principal operation, future development
Feb.9, 2012	Meeting room of the Company	Field survey	Pacific Investment Management	Principal operation, future development
Feb.15, 2012	Meeting room of the Company	Field survey	CITIC Securities	Principal operation, future development
Feb.15, 2012	Meeting room of the Company	Field survey	Zhongzai Assets Management	Principal operation, future development
Feb.17, 2012	Meeting room of the Company	Field survey	UBS Securities	Principal operation, future development

Feb.17, 2012	Meeting room of the Company	Field survey	Qilu Securities	Principal operation, future development
Feb.17, 2012	Meeting room of the Company	Field survey	CITIC-Prudential Fund Management	Principal operation, future development
Feb.20, 2012	Meeting room of the Company	Field survey	Qilu Securities	Principal operation, future development
Feb.20, 2012	Meeting room of the Company	Field survey	GF Fund Management	Principal operation, future development

3.6 Investment on financial derivatives

(√) not applicable

3.6.1 Investment on financial derivatives at end of report period

(√) not applicable

4. Annex

4.1 Balance Sheet

Yantai Changyu Wine Pioneer Co., Ltd.

March 31, 2012

Unit: CNY

Assets	At 31 March 2012		At 31 December 2011	
	Consolidated amount	Parent company amount	Consolidated amount	Parent company amount
Current assets:				
Monetary fund	2,889,593,997	2,200,327,359	2,532,967,197	1,568,184,564
Financial assets for trade				
Notes receivable	103,153,851	50,892,391	56,268,482	25,779,768
Account receivable	150,777,482	14,669,261	126,906,526	20,977,065
Advance money	88,821,251	78,144,435	77,252,611	45,090,601
Interest receivable	15,469,150	15,469,150	15,763,431	15,763,431
Dividend receivable		1,827,258,629		1,866,646,179
Other account receivable	80,735,344	2,446,279,519	75,423,614	1,685,950,766
Inventories	1,538,461,221	569,610,073	1,755,964,582	579,452,383
Non-current assets due within one year				
Other current assets				
Total current assets	4,867,012,296	7,202,650,817	4,640,546,443	5,807,844,757
Non-current assets:				
Financial assets for sale				
Investment held to expiration				
Long-term account receivable				
Long-term equity investment	5,000,000	598,299,363	5,000,000	598,299,363
Real estate for investment				

fixed assets	1,596,680,131	351,385,469	1,609,111,868	365,152,521
Construction in progress	483,681,742	64,891,987	406,353,081	42,040,898
Project material				
Liquidation of fixed assets				
Biological assets for production	41,996,191	9,537,205	42,355,441	9,683,931
Oil and gas assets				
Intangible assets	262,860,386	88,923,822	263,838,087	89,684,756
Development expenditure				
Goodwill				
Long-term deferred expenses	146,218,964		148,429,436	
Assets of deferred income tax	154,609,537	27,179,918	175,528,938	31,337,829
Other non-current assets	4,644,511	3,746,724	4,780,927	3,854,796
Total non-current assets	2,695,691,462	1,143,964,488	2,655,397,778	1,140,054,094
Total assets	7,562,703,758	8,346,615,305	7,295,944,221	6,947,898,851

Yantai Changyu Wine Pioneer Co., Ltd.

March 31, 2012

Unit: CNY

Liabilities, rights and interests of shareholders	At 31 March 2012		At 31 December 2011	
	Consolidated amount	Parent company amount	Consolidated amount	Parent company amount
Current liabilities:				
Short-term loan				
Financial liabilities for trade				
Notes payable				
Accounts payable	177,425,120	87,573,323	229,920,729	134,893,846
Advance money	311,307,100		293,655,222	
Wage payable	159,862,579	76,029,511	188,274,937	97,418,899
Tax payable	500,683,603	51,261,164	698,459,857	115,489,659
Interest payable				
dividend payable				
Other accounts payable	459,485,531	3,435,668,735	536,059,000	1,918,592,985
Non-current liabilities due within one year	137,061,180		81,081,000	
Other current liabilities	4,617,301	807,300	4,744,074	828,000
Total current liabilities	1,750,442,414	3,651,340,033	2,032,194,819	2,267,223,389
Non-current liabilities:				
Long-term loan				
Bond payable				

Long-term accounts payable				
Special accounts payable				
Estimated liabilities				
Liabilities of deferred income tax	5,336,115		5,336,115	
Other non-current liabilities	52,679,713	13,731,700	108,453,139	13,918,000
Total non-current liabilities	58,015,828	13,731,700	113,789,254	13,918,000
Total liabilities	1,808,458,242	3,665,071,733	2,145,984,073	2,281,141,389
Shareholder rights and interests:				
Capital stock	527,280,000	527,280,000	527,280,000	527,280,000
Capital reserve	562,139,042	557,222,454	562,139,042	557,222,454
Less: treasury stock				
Surplus reserve	295,942,630	295,942,630	295,942,630	295,942,630
Undistributed profit	4,232,565,357	3,301,098,488	3,628,279,989	3,286,312,378
Total shareholder rights and interests of parent company	5,617,927,029	4,681,543,572	5,013,641,661	4,666,757,462
Minority shareholder rights and interests	136,318,487		136,318,487	
Total shareholder rights and interests	5,754,245,516	4,681,543,572	5,149,960,148	4,666,757,462
Liabilities and total shareholders rights and interests	7,562,703,758	8,346,615,305	7,295,944,221	6,947,898,851

4.2 Profit statement

Yantai Changyu Wine Pioneer Co., Ltd.

January 2012 to March 2012

Unit: CNY

Item	Three months ended 31 March 2012		Three months ended 31 March 2011	
	Consolidated amount	Parent company amount	Consolidated amount	Parent company amount
Business income	1,912,443,670	404,260,334	2,090,018,976	506,563,827
Less: business cost	483,121,287	331,806,568	543,222,709	388,453,744
Business tax and associate charges	89,023,294	39,229,753	105,983,152	57,861,944
Sales expenses	467,673,517		571,748,034	
Management expenses	82,064,961	25,141,469	136,323,637	52,042,387
Financial expenses	-12,168,537	-12,559,844	-12,843,351	-10,831,676
Assets depreciation loss				
Add: fair value charge profit (loss is listed with "-")				
Investment profit ((loss is listed with "-")			52,122	52,122

Including: investment profit for joint-run business and joint venture				
Operating profit	802,729,149	20,642,389	745,636,917	19,089,549
Add: Non-operating income	5,465,391	591,179	888,203	421,480
less: non-operating expenditures	1,419,796	1,402,751	514,157	2,050
Including: non-current assets disposing loss				
Total profit	806,774,744	19,830,817	746,010,963	19,508,979
Less: income tax expenses	202,489,376	5,044,707	183,464,223	4,918,150
Net profit	604,285,368	14,786,110	562,546,740	14,590,829
Net profit of parent company's owners	604,285,368	14,786,110	562,581,659	14,590,829
Minority shareholder profit and loss			-34,918	
EPS				
Basic EPS	1.15	0.03	1.07	0.03
Diluted EPS	1.15	0.03	1.07	0.03
Other Comprehensive Income				
Comprehensive Income	604,285,368	14,786,110	562,546,740	14,590,829
Comprehensive Income of parent company	604,285,368	14,786,110	562,581,659	14,590,829
Comprehensive Income of minority shareholders			-34,918	

4.3 Cash Flow Statement

Yantai Changyu Wine Pioneer Co., Ltd.

January 2012 to March 2012

Unit: CNY

Item	Three months ended 31 March 2012		Three months ended 31 March 2011	
	Consolidated amount	Parent company amount	Consolidated amount	Parent company amount
1. Cash flows from operating activities:				
Cash received from sales of goods and rendering of services	2,146,275,218	473,515,732	2,450,730,868	506,217,511
Tax refund received	5,987,075	1,270,642	4,506,575	1,765,890
Other cash received related to operating activities	44,629,783	652,498,777	39,581,571	934,283,827
Subtotal of cash flows of operating activities	2,196,892,076	1,127,285,151	2,494,819,014	1,442,267,229
Cash paid for goods and services	433,187,773	254,307,853	443,608,869	384,955,700
Cash paid to and on behalf of employees	131,779,247	48,627,342	105,863,409	38,684,926
Cash paid for taxes and expenses	751,723,834	137,093,345	650,575,171	98,939,301
Other cash paid related to operating	383,060,353	82,972,445	210,588,599	128,055,339

activities				
Sub-total of cash outflows of operating activities	1,699,751,208	523,000,984	1,410,636,049	650,635,266
Net cash flow from operating activities	497,140,868	604,284,166	1,084,182,965	791,631,963
2. Cash flow from investing activities:				
Cash received from return of investment				
Fixed deposit with the term of over 3 months				
Cash received from obtaining investment profit		39,387,550	54,515	7,180,727
Cash received from interest income	12,800,291	12,800,291		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	55,100			
Net cash received from disposal of branch and other business unit				
Other cash received related to investing activities				
Subtotal of cash flows of investment activities	12,855,391	52,187,841	54,515	7,180,727
Cash paid to acquire fixed assets, intangible assets and other long-term assets	148,057,248	24,017,000	98,995,305	10,207,563
Fixed deposit with the term of over 3 months	90,999,893	90,999,893	129,086,026	129,086,026
Cash for investment				
Net cash paid to acquire branch and other business unit				
Other cash paid related to investment activities				
Subtotal of cash outflows of investment activities	239,057,140	115,016,893	228,081,331	139,293,589
Net cash flow from investing activities	-226,201,750	-62,829,052	-228,026,816	-132,112,862
3. Cash flow from financing activities				
Cash received from acquiring investment				
Including: cash received from acquiring minority shareholders investment by branch				
Cash received from acquiring loans				
Other cash received related to financing activities				
Subtotal cash flows of financing activities				
Cash paid to pay debts				
Cash paid to distribute dividend, profit or				

pay interest				
Including: dividend and profit paid to minority shareholders by branch				
Other cash paid related to financing activities				
Subtotal of cash outflows of financing activities				
Net cash flow from financing activities				
4. Influences of exchange rate fluctuation on cash and cash equivalents				
5. Net Increase in cash and cash equivalents	270,939,118	541,455,114	856,156,149	659,519,101
Add: balance at the beginning of the period of cash and cash equivalents	1,256,517,873	296,735,240	2,489,804,162	1,898,488,544
6. Balance at the end of the period of cash and cash equivalents	1,527,456,991	838,190,354	3,345,960,311	2,558,007,645

4.4 Audit Report

Not audited