

YANTAI CHANGYU PIONEER
WINE COMPANY LIMITED

Summary of 2005 Semi-annual Report

1. Important

1.1 The Directors 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 The 2005 Semi-annual Financial Report has not been audited.

1.3 The chairman of the Board of Directors Mr. Sun LiQiang, the general manager Mr. Zhou Hongjiang and the chief of accounting department Mr. Jiang Jianxun assure the truth and integrity of the financial and accounting statement in this semi-annual report.

1.4 The report is respectively written in both Chinese and English. If there are any discrepancies between the two versions, the Chinese version should prevail.

2. THE BASIC INFORMATION OF THE COMPANY

2.1 BRIEF INTRODUCTION TO THE COMPANY

Abbreviation for the English Name: Changyu

Place of listing of the Shares: Shenzhen Stock Exchange

Abbreviation of the Shares: Changyu A, Changyu B

Code Number of the Shares: 000869, 200869

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~~1.2~~ 2. THE MAIN ACCOUNTING AND FINANCIAL INFORMATION

~~1.2~~ 12.2.1 Main accountant and Financial data

	Unit: RMB'000		
	At the end of the report period	at the end of last year	More or less (%)
Current assets	1,658,488	1,639,776	1.14
Current liabilities	463,063	388,623	19.15
Total assets	2,197,535	2,188,454	0.41
Total shareholders' equity (minor shareholders' equity excluded)	1,691,890	1,757,009	-3.71
Net assets value per Share(RMB)	4.17	4.33	-3.71
	At the report period (Jan.—June)	the same period of last year	more or less (%)
Net Profit			
Net profit after deducting irregular profit and loss	137,681	91,301	50.80
Earnings per Share (RMB)	0.34	0.23	47.83
Return on shareholder's equity (%)	8.14	5.20	Increase by 2.94 percent
Net cash flows per Share from operating activities	13,528	4,213	221.10

2.2.2 Differences between the PRC Accounting Standards and the International Accounting Standards

() applicable () not applicable

		Unit: RMB	
	The PRC Accounting Standard	The International Standards	Accounting Standards
Net profit	137,754,531	137,681,681	
The differences	Related amount under the international accounting standards		137,754,531
	Impact to the adjustment under the international accounting standards:-		(72,850)
	--deferred tax		
	Related amount under the PRC accounting standards		137,681,681

3. CHANGES IN SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

3.1 Changes in Share Capital

() applicable () not applicable

3.2 The total number of the shareholders and the information of the top 10 shareholders at the end of the reporting period

Total number at the end of the reporting period		The Company had 15,256 shareholders. There were 8,961 shareholders with A shares, and 6,295 shareholders with B shares					
The top 10 shareholders							
Name of Shareholders	Increase or reduce during the report period	Number of shares holding at the end of reporting period	Percentage (%)	Type of Shares	Lien or frozen shares	The character Of the shareholders	
Yantai Changyu Group Company Limited	0	218,400,000	53.8	Non-listed	0	State owned	
GUOTAI JUNAN SECURITIES HONG DONG LIMITED	4,311,859	12,251,899	3.02	Listed	0	B shares	
FIDELITY INVESTMENT FUNDS ICVC-FIDELITY SPECIAL SITUATIONS F	7,146,733	7,471,054	1.84	Listed	0	B shares	
WESTERN SECURITY COMPANY LTD	5,023,364	5,908,611	1.45	Listed	0	A shares	
HSBC CHINA MOMENTUM FUND	1,849,726	5,749,578	1.42	Listed	0	B shares	
GT PRC FUND	1,914,572	5,149,923	1.27	Listed	0	B shares	
ZHONGRONG JINQI SECURITIES INVESTMENT FUND	488,998	3,802,363	0.94	Listed	0	A shares	
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	936,978	3,524,766	0.87	Listed	0	B shares	
SKANDIA GLOBAL FUNDS PLC	-102,456	3,229,240	0.80	Listed	0	B shares	
CHINA AMC RETURN SECURITY INVESTMENT FUND	3,164,409	3,164,409	0.78	Listed	0	A shares	

Top 10 shareholders for the listed shares	Number of shares holding	Type(A share, B share, H share or others)
GUOTAI JUNAN SECURITIES HONG DONG LIMITED	12,251,899	B Share
FIDELITY INVESTMENT FUNDS ICVC-FIDELITY SPECIAL SITUATIONS F	7,471,054	B Share
WESTERN SECURITIES COMPANY LTD	5,908,611	A Share
HSBC CHINA MOMENTUM FUND	5,749,578	B Share
GT PRC FUND	5,149,923	B Share
CHINA DRAGON SECURITY INVESTMENT FUND	3,802,363	A Share
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	3,524,766	B Share
SKANDIA GLOBAL FUNDS PLC	3,229,240	B Share
CHINA AMC RETURN SECURITY INVESTMENT FUND	3,164,409	A Share
BBH BOS S/A FIDELITY FD-CHINA FOCUS FD	2,999,958	B Share
The explanation for the relationship and action of the top 10 shareholders	In the top 10 shareholders, Yantai Changyu Group Company Limited and the other 10 companies are not related parties. The relationship of the other shareholders is not detailed here.	
The explanation of strategic investors and common legal persons participating in the rationing of new shares and setting the share holding time	There are no strategic investors or common legal persons participating in the rationing of new shares and setting the share holding time	

3.3 The changes of the controlling shareholder and actual controller

() applicable () not applicable

4. THE INTRODUCTION FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT TEAM

4.1 The information of the directors, supervisors and senior management team

() applicable () not applicable

5. THE ANALYSIS AND DISCUSSION OF THE MANAGEMENT TEAM

5.1 Principal Business

Unit : RMB

Product	Principal sales	Principal Cost	Gross Profit Ratio(%)	More or less than last year of the principal sales(%)	More or less than last year of the principal cost(%)	More or less than last of the profit ratio(%)
Wine	638,055,798	233,248,048	63.44%	62.40%	45.72%	Increase by 4.18 percent
Brandy	164,352,130	77,405,240	52.90%	13.38%	11.10%	Increase by 1 percent
Total	802,407,928	310,653,288	--	--	--	--
Related party transaction	No	No	--	--	--	--

5.2 Principal Business Situation Assorted by Territory Distribution

Unit : RMB ' 0000

District	Principal Sales	More or less than last year (%)
In domestic market	846,370	39.61%
In foreign market	3,242	20.91%

5.3 Other Business with Great Influence on Net Profit

() applicable () not applicable

5.4 Management of Major Shareholding Companies

() applicable () not applicable

5.5 The explanation of the great change in principal business and its structure comparing with last year

() applicable () not applicable

5.6 The explanation of the great change in profit earning ability (gross profit ratio) of principal business comparing with last year

() applicable () not applicable

5.7 The analysis of the great change in profit structure comparing with last year

applicable not applicable

5.8 The Uses of the Collected capital

5.8.1 The exertion of collected capital

applicable not applicable

5.8.2 The situation of the variational item

applicable not applicable

5.9 Modification for the business plan of the Board of Directors in the next half year

applicable not applicable

5.10 Caution and explanation for the forecasted accumulated net profit from the beginning of this year to the end of the next reporting period

applicable not applicable

5.11 The explanation of the management team for the non standard advice to the report of the accountant affairs office

applicable not applicable

5.12 The explanation of the management team for the change and transaction affairs involved in the non standard advice of the accountant affairs office in last year

applicable not applicable

6. Major issues

6.1 The purchase, sell and annex assets

6.1.1 Purchase assets

applicable not applicable

Approved at the 10th meeting of the 3rd-term board of directors, the Company signed an Assets Transfer Agreement on May 15th, 2005 with its holding shareholder- Yantai Changyu Group Co., Ltd, and sold to the holding shareholder in account price of RMB 15.935 million as assets produced by reinforcing, expanding and rebuilding the One-Hundred-Years Cellar, which is operated by the Company and owned by its shareholder. There is no earning or loss for this assets transaction. The transfer procedures was finished before May 30th, 2005.

6.1.2 Sell assets

applicable not applicable

6.1.3 The process situation and the influence for the management and finance after the publish of annex assets report and the announcement of purchase and sell assets.

applicable not applicable

6.2 Guarantees

applicable not applicable

6.3 The Related Creditor's Right and Liability

applicable not applicable

During the reporting period, according to the agreement between the Company and its holding shareholder-Yantai Changyu Group Co., Ltd., the Company shall pay the charges for service, patent warranting, land usage at market price, and the trade mark using fee covering the 2% of the Company's sales income, which is RMB18.77 million totally. Due to the daily financial accounts with its holding shareholder, the Company shall receive RMB15.7 million from its holding shareholder to the end of reporting period.

6.4 Major lawsuit and arbitration

applicable not applicable

6.5 Analysis and explanation for the other major issues with great influence to the Company and the solution

applicable not applicable

During the reporting period, YSASAC signed an Equity Transfer Agreement with Italy Illva Saronno Investments S.r.l. and USA International Finance Corporation respectively on 8 February 2005 and 18 May 2005, and assigned 33% of the state property rights of Changyu Group to Italy Illva Saronno Investments S.r.l and assigned 10% to USA International Finance Corporation. After the transfer YSASAC still holds 12% of the state property rights of Changyu Group.

At present, the transfer applications are under review by relevant state departments. When approved, the actual holders will be changed from YSASAC to Yantai Yuhua Investment & Development Co., Ltd., Illva Saronno Investment S.r.L, International Finance Corporation and YSASAC together.

7. Financial Report

	Note	Six months ended 30		Three months ended 30 Jun	
		June		2005	2004
		2005	2004	2005	2004
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue - net		849,612	598,530	284,673	209,772
Cost of goods sold		(333,499)	(240,943)	(112,748)	(79,575)
Gross profit		<u>516,113</u>	<u>357,587</u>	<u>171,925</u>	<u>130,197</u>
Selling and marketing costs		(275,797)	(157,939)	(110,792)	(71,893)
Administrative expenses		(51,710)	(52,381)	(24,595)	(22,082)
Other gains (losses) - net	14	<u>8,959</u>	<u>(1,140)</u>	<u>3,982</u>	<u>(3,702)</u>
Profit before income tax		<u>197,565</u>	<u>146,127</u>	<u>40,520</u>	<u>32,520</u>
Income tax expense	17	<u>(59,172)</u>	<u>(54,826)</u>	<u>(10,638)</u>	<u>(17,336)</u>
Profit for the period		<u>138,393</u>	<u>91,301</u>	<u>29,882</u>	<u>15,184</u>
Attributable to:					
Equity holders of the Company		137,681	91,301	29,433	15,184
Minority interest		<u>712</u>	<u>-</u>	<u>449</u>	<u>-</u>
		<u>138,393</u>	<u>91,301</u>	<u>29,882</u>	<u>15,184</u>
Earnings per share for profit attributable to the equity holders of the Company during the period					
- Basic and diluted	18	<u>RMB0.34</u>	<u>RMB0.23</u>	<u>RMB0.07</u>	<u>RMB0.04</u>

7.3 Finance Appendix

7.3.1 If there is any amendment for accountant policy, accountant estimate and accountant accident, please explain its reason, content and influence.

() applicable () not applicable

7.3.2 If there is great change in consolidation scope of financial forms, please explain the reason and its influence.

() applicable () not applicable

7.3.3 If non standard and unreserved advice is issued, please list the involved affairs and related appendix.

() applicable () not applicable

**Yantai Changyu Pioneer Wine Company Limited
Board of Directors
17 August 2005**