www.ohuawine.com

CHINA OUHUA WINERY HOLDINGS LIMITED
(Company Registration Number 200900709K)
(Incorporated in Singapore under the Companies Act 1967 of Singapore)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysia Foreign Company Registration No. 995226-U)

CHINA OUHUA WINERY HOLDINGS LIMITED

PROSPECTUS

PROSPECTUS

THIS PROSPECTUS IS DATED **15 OCTOBER 2010**

欧华庄园
FAZENDA OHUA

CHINA OUHUA WINERY HOLDINGS LIMITED

(Company Registration Number 200900709K)
(Incorporated in Singapore under the Companies Act 1967 of Singapore)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysia Foreign Company Registration Number 995226-U)

PUBLIC ISSUE OF 132,550,000 NEW ORDINARY SHARES IN CHINA OUHUA WINERY HOLDINGS LIMITED ("SHARES") AT AN ISSUE PRICE OF RM0.60 PER SHARE PAYABLE IN FULL UPON APPLICATION COMPRISING OF:-

- 8,000,000 SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
- 124,550,000 SHARES AVAILABLE FOR APPLICATION BY WAY OF PLACEMENT TO IDENTIFIED INVESTORS

IN CONJUNCTION WITH THE LISTING OF CHINA OUHUA WINERY HOLDINGS LIMITED ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Adviser, Underwriter and Placement Agent

OSK

OSK Investment Bank Berhad (14152-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

International Financial Adviser and International Placement Agent

KIM ENG

KIM ENG CORPORATE FINANCE PTE. LTD.
(Incorporated in Singapore)
(Company Registration Number 200207700C)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" SET OUT IN SECTION 4 OF THIS PROSPECTUS.

Singapore Company Number : 200900709K
Malaysia Foreign Company Registration Number : 995226-U

RESPONSIBILITY STATEMENT

OUR DIRECTORS AND PROMOTER HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT IN THE PROSPECTUS FALSE OR MISLEADING.

OSK INVESTMENT BANK BERHAD ("OSK"), BEING OUR ADVISER, UNDERWRITER AND PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS ON THE INITIAL PUBLIC OFFERING ("IPO").

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION ("SC") HAS APPROVED OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE LISTING OF AND QUOTATION FOR OUR SHARES (AS DEFINED HEREIN). ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OUR SECURITIES.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN US. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

WE HAVE ALSO LODGED A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM WITH THE REGISTRAR OF COMPANIES, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

Singapore Company Number : 200900709K
Malaysia Foreign Company Registration Number : 995226-U

THE ELECTRONIC PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES WEBSITE AT http://www.bursamalaysia.com.

THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS SO REGISTERED IS AVAILABLE FROM THE WEBSITES OF MALAYAN BANKING BERHAD AT www.maybank2u.com.my, CIMB INVESTMENT BANK BERHAD AT www.eipocimb.com, CIMB BANK BERHAD AT www.cimbclicks.com.my, AFFIN BANK BERHAD AT www.affinOnline.com AND RHB BANK BERHAD AT www.rhbbank.com.my (VIA HYPERLINK TO BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com).

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURE MEDIUM AND THAT YOUR INTERNET SHARE APPLICATION (AS DEFINED HEREIN) IS SUBJECT TO THE RISKS OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS (AS DEFINED HEREIN). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF YOU DOUBT THE VALIDITY OR THE INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR ADVISER OR THE ISSUING HOUSE, A PAPER/ PRINTED COPY OF THE PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/ PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/ PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL. THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER PRINTED COPY.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

I. WE AND OUR ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

II. WE AND OUR ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES REFERRED TO IN THIS PROSPECTUS, FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

III. ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

I. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO OTHER PARTIES; AND

II. WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/ OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICATION SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THIS PROSPECTUS IS NOT INTENDED TO BE ISSUED, CIRCULATED OR DISTRIBUTED, AND OUR IPO WILL NOT BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA OR TO PERSONS WHO ARE SUBJECT TO THE LAWS OF ANY COUNTRY OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. THE IPO TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS ELECTRONICALLY OR OTHERWISE WITHIN MALAYSIA. WE AND OUR ADVISER HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER OR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE OR PURCHASE, ANY SHARES UNDER OUR IPO IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR IPO SHARES IN CERTAIN JURISDICTION MAY BE RESTRICTED BY LAW. PERSONS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

WE WILL NOT MAKE OR BE BOUND TO MAKE ANY ENQUIRY BEFORE ANY ACCEPTANCE IN RESPECT OF OUR IPO AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA. WE WILL NOT ACCEPT ANY LIABILITY WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION WITH IT. IT IS YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/ OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OR JURISDICTIONS OF MALAYSIA.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR IPO SHARES WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA CONNECTED TO IT.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THE PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR THE IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. OUR IPO SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION, WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

THE ROLE OF KIM ENG CORPORATE FINANCE PTE. LTD. ("KECF") IN OUR IPO IS LIMITED TO BEING AN INTERNATIONAL FINANCIAL ADVISER AND INTERNATIONAL PLACEMENT AGENT IN RESPECT OF THE PLACEMENT OUTSIDE MALAYSIA ONLY. KECF DO NOT HAVE ANY ROLE IN, AND DISCLAIMS ANY RESPONSIBILITY FOR, THE PUBLIC ISSUE IN MALAYSIA.

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Singapore Company Number : 200900709K
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INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Events	Tentative Dates
Opening of application for the IPO Shares	15 October 2010
Closing of the application for the IPO Shares	22 October 2010
Balloting of the applications for the IPO Shares	26 October 2010
Allotment of the IPO Shares to successful applicants	1 November 2010
Tentative Listing Date	3 November 2010

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION WILL CLOSE AT THE DATE STATED ABOVE OR SUCH LATER DATE AS OUR DIRECTORS AND/ OR PROMOTERS TOGETHER WITH OUR UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY DECIDE.

IN THE EVENT THE CLOSING DATE FOR APPLICATION IS EXTENDED, WE WILL ADVERTISE THE NOTICE OF THE EXTENSION IN A WIDELY-CIRCULATED ENGLISH AS WELL AS BAHASA MALAYSIA NEWSPAPERS PRIOR TO THE ORIGINAL CLOSING DATE OF THE APPLICATION. FOLLOWING THIS, THE DATES FOR THE BALLOTING OF THE APPLICATION FOR THE IPO SHARES, ALLOTMENT OF THE IPO SHARES AND LISTING WOULD BE EXTENDED ACCORDINGLY.

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DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:-

"Act"	:	The Malaysian Companies Act, 1965
"Accion"	:	Accion Asia Growth Fund (Company No. CT-228395)
"ADA"	:	Authorised Depository Agent
"AGM"	:	Annual General Meeting
"Application"	:	The application for the IPO Shares by way of Application Form, Electronic Share Application and/ or Internet Share Application
"Application Form"	:	Printed application form for application of the IPO Shares
"Articles"	:	Articles of Association
"ATM"	:	Automated Teller Machine
"Authorised Financial Institution(s)"	:	The authorised financial institution(s), namely Affin Bank Berhad, CIMB Investment Bank Berhad, CIMB Bank Berhad, RHB Bank Berhad and Malayan Banking Berhad, participating in the Internet Share Application with respect to payments for the IPO Shares
"Board"	:	Our Board of Directors
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
"BVI"		British Virgin Islands
"CAGR"	:	Compounded annual growth rate
"CDS"	:	Central Depository System
"Central Depositories Act"	:	The Securities Industry (Central Depositories) Act, 1991 of Malaysia
"CEO"	:	Chief Executive Officer
"CMSA"	:	Capital Markets and Services Act, 2007 of Malaysia
"Convertible Note Holders"	:	OSKTV, OSK Nominees and the Individual Investors
"Depositor"	:	A holder of a Securities Account
"Director(s)"	:	Director(s) of our Company and shall have the meaning given in Section 4 of the Act
"EBITDA"	:	Earnings before interest expense, taxation, depreciation and amortisation

"Electronic Prospectus"	:	Copy of this Prospectus that is used, circulated or disseminated via the Internet, and/ or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
"Electronic Share Application(s)"	:	Application(s) for the IPO Shares through a Participating Financial Institution's ATM
"EPS"	:	Earnings per Share
"Fazenda Ohua Wine(s)"	:	Label for our local wines made from locally sourced wine materials and grapes including grapes from our vineyards
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"GDP"	:	Gross Domestic Product
"HKD"	:	Hong Kong Dollar
"HK Yin Kang"	:	Hong Kong Yin Kang Investment Company Limited (Company No.1336681)
"Hualian"	:	The Group of Hualian Commercial Building (Spain) S.L. (Company No. B532420782)
"Hua Xin"	:	Hua Xin International Holdings Limited (Company No.1507845)
"Individual Investors"	:	Yap Shing @ Yap Sue Kim, Yap Song Yung and Chia Kee Siong, collectively
"International Wine(s)"	:	Our international wines produced from wine materials which are sourced from various wines growing regions outside the PRC such as France, Australia, Spain, Chile and Germany through local PRC wine materials traders
"Internet Participating Financial Institution(s)"	:	Participating financial organisation(s) in the Internet Share Application
"Internet Share Application"	:	Application for the IPO Shares through an online shares application service provided by Internet Participating Financial Institutions
"IPO"	:	Initial public offering in Malaysia comprising the Public Issue
"IPO Price"	:	RM0.60 for each IPO Share
"IPO Share(s)"	:	All or part of the 132,550,000 new Ouhua Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of the Prospectus
"Listing"	:	Admission to the Official List of the Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up share capital of Ouhua comprising 668,000,000 Ouhua Shares on the Main Market of Bursa Securities

DEFINITIONS (CONT'D)

"Listing Requirements"	:	The Main Market Listing Requirements of Bursa Securities
"Li Rong"	:	Li Rong International Investment Stock Limited (Company No. 1201458)
"Listing Scheme"	:	The Public Issue and Listing, collectively
"LPD"	:	20 September 2010, being the latest practical date prior to the issuance of this Prospectus
"Malaysian Public"	:	Citizens of Malaysia, permanent residents of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
"Market Day(s)"	:	Any day(s) between Monday and Friday (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
"MI"	:	Minority interests
"MIH"	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
"ML"	:	Million litres
"Mu"	:	A unit area, 1 Mu equals to approximately 666.6667 Sq m
"NA"	:	Net assets
"NBV"	:	Net book value
"NTA"	:	Net tangible assets
"Official List"	:	The official list of the Main Market of Bursa Securities
"OSK"	:	OSK Investment Bank Berhad (Company No. 14142-V)
"OSK Nominees"	:	OSK Nominees (Tempatan) Sdn Bhd (Company No. 6023-A)
"OSKTV"	:	OSK Technology Ventures Sdn Bhd (Company No. 319604-V)
"Ouhua" or the "Company"	:	China Ouhua Winery Holdings Limited (中国欧华庄园葡萄酒国际控股有限公司 (Singapore Registration No.: 200900709K and Malaysian Foreign Company Registration No.: 995226-U), incorporated in Singapore under the Singapore Companies Act and registered as a foreign company in Malaysia under the Act
"Ouhua Group" or the "Group"	:	Ouhua and its subsidiary, namely Ouhua PRC
"Ouhua PRC"	:	Yantai Fazenda Ouhua Winery Co., Ltd (烟台欧华庄园葡萄酿酒有限公司) (Company No. 370600400012580)
"Ouhua Share(s)" or "Share(s)"	:	Ordinary share(s) in Ouhua
"PAT"	:	Profit after taxation

DEFINITIONS (CONT'D)

"Participating Financial Institution(s)"	:	Participating financial institution(s) for the Electronic Share Application
"PBT"	:	Profit before taxation
"PRC"	:	The People's Republic of China, which for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan
"Primeforth"	:	Primeforth Limited (Company No. 1492875)
"Promoter"	:	Hua Xin
"Public Issue"	:	Public issue of 132,550,000 new Ouhua Shares, representing approximately 19.8% of the enlarged issued and paid-up share capital of Ouhua at the IPO Price, subject to the terms and conditions of the Prospectus
"R&D"	:	Research and development
"Restructuring Exercise"	:	The restructuring exercise implemented in connection with the IPO, more fully described in Section 5 of this Prospectus
"RM" and "Sen"	:	Ringgit Malaysia and sen, respectively
"RMB"	:	Chinese Renminbi
"ROC"	:	Registrar of Companies of Malaysia
"Rules"	:	Rules of Central Depository
"Securities Account"	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealings in such securities by the Depositor
"SC"	:	Securities Commission of Malaysia
"SC Guidelines"	:	The Equity Guidelines issued by the SC
"SGD"	:	Singapore Dollar
"Singapore Companies Act"	:	The Companies Act (Chapter 50) of Singapore
"Soleil"	:	Soleil Capital Limited (Company No. 1508093)
"Sq m"	:	Square metre
"Underwriting Agreement"	:	Underwriting agreement dated 28 September 2010 entered into between Ouhua and OSK for the underwriting of 8,000,000 IPO Shares under the Public Issue
"US"	:	United States of America
"USD"	:	US Dollar
"YO Winery"	:	Yantai Ouhua Winery Co. Ltd (Company No. 370602228003887)

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this Prospectus in connection with the Group and its business. The terminologies and their meanings may not correspond to the standard industry meanings or usages of those terms.

"botanist"	:	One who specialises in plant and plant life
"must"	:	Freshly pressed fruit juice that contains the skins, seeds and stems of the fruit
"oenologist"	:	A person who has the knowledge of the science and principles and practices of wine and wine making
"oxidation"	:	The chemical reaction that occurs when wine is exposed to air which results in browning of the colour, loss of vinosity and grape flavour and development of bitterness
"putrefaction"	:	Decomposition of organic matter, by microorganisms, resulting in production of foul-smelling matter
"tannins"	:	A substance found in the seeds and stems of grapes, the bark of some trees and in tea. Tannin is important in the making of good red wines, aiding them in long and graceful ageing
"varietal"	:	Refers to the types of wines made from a specific variety of grape. For example, Merlot and Cabernet Sauvignon are two (2) types of grape varietals
"varietal blends"	:	Wine that is made up of more than one (1) grape varietal
"vineyard"	:	A plantation of grapevines, in particular where wine grapes are grown
"vinosity"	:	The distinctive body, colour and taste of wine
"viticulture"	:	The cultivation of grapes
"winery"	:	An establishment at which wine is made

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PRESENTATION OF INFORMATION

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include natural persons, firms, companies, bodies corporate and corporations, and a reference to a section is a reference to the relevant section of this Prospectus, unless otherwise specified.

Any reference in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactment or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. Any reference to a time of a day in this Prospectus shall be reference to Malaysian time, unless otherwise stated.

Any references to "our Company" or "the Company" or "Ouhua" in this Prospectus are to China Ouhua Winery Holdings Limited, reference to "Our Group" or "the Group" or "Ouhua Group" are to our Company and our subsidiary and reference to "we", "us", "our" and "ourselves" are to our Company, and where the context requires, our Company and our subsidiary. Unless the context otherwise requires, reference to "Management" are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

In this Prospectus, references to the "Government" are to Government of Malaysia; references to "Ringgit", "Malaysian Ringgit", "RM" and "sen" are to the lawful currency of Malaysia; references to "Singapore Dollars" and "SGD" are to the lawful currency of Singapore and references to "Chinese Renminbi", "RMB" and "Yuan" are to the lawful currency of PRC. Certain acronyms, technical terms and other abbreviations used are defined either in the "Definitions" or "Glossary of Technical Terms" sections in this Prospectus.

In this Prospectus, certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors. They may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters. In the case of any inconsistency between the English names and their respective official names, the Chinese names shall prevail.

Ouhua is a foreign company incorporated in Singapore under the Singapore Companies Act and not incorporated under the Act. It was registered in Malaysia as a foreign company under Section 332 of the Act. However, for your ease of reference and understanding, all substantial shareholders and their indirect shareholdings in the Company has been identified based on Section 69D and Section 6A of the Act.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher for inclusion in this Prospectus. We have appointed the Independent Market Researcher to provide a business and independent market and industry review relating to an overview of the economy and industry in which we operate. In compiling their data for the review, the Independent Market Researcher relied on industry sources, published materials, its own private databanks and direct contacts. We believe that the information on the industry as contained in this Prospectus and other statistical data and projections cited in this Prospectus are useful in helping prospective investors to understand the major trends in the industries in which we operate. However, neither we nor our advisers have verified these data.

PRESENTATION OF INFORMATION (CONT'D)

We and our advisers do not make any representation as to the correctness, accuracy or completeness of such data. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

i. Demand for our products and services;

ii. Our business strategies;

iii. Plans and objectives of our Management for future operations;

iv. Our financial position; and

v. Our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

i. The economic, political and investment environment in Malaysia, PRC (as defined herein) and globally; and

ii. Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

EXCHANGE RATES

The average and closing exchange rates as outlined in the table below are extracted from published information by Bloomberg. The average exchange rate for each financial period is the average of the closing exchange rates on each trading day during that financial period. These exchange rates have been presented solely for information only and should not be construed as a representation that those RMB, SGD or USD amounts could have been, or could be, or was converted into RM, at any particular rates, the rates stated below, or at all.

	RMB : RM rate		SGD : RM rate	
	Average	**Closing**	**Average**	**Closing**
FYE 2007	0.4517	0.4528	2.2813	2.3008
FYE 2008	0.4799	0.5061	2.3558	2.4224
FYE 2009	0.5157	0.5019	2.4245	2.4390
FPE June 2010	0.4843	0.4772	2.3655	2.3128

(Source: Bloomberg)

The high and low exchange rates between RMB and RM and between SGD and RM for each of the past six (6) months prior and up to the LPD were as follows:-

	RMB : RM rate		SGD : RM rate	
	High	**Low**	**High**	**Low**
March 2010	0.4962	0.4781	2.4123	2.3334
April 2010	0.4772	0.4662	2.3427	2.2952
May 2010	0.4923	0.4677	2.3800	2.3002
June 2010	0.4878	0.4686	2.3551	2.3127
July 2010	0.4768	0.4697	2.3520	2.3035
August 2010	0.4694	0.4606	2.3431	2.3072

(Source: Bloomberg)

As at the LPD, the closing exchange rate between RMB and RM was 0.4623 whilst SGD and RM was 2.3265.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg and should not be construed as representations that the RMB or SGD amounts actually represent such amounts or could be or was converted into the RM at the rate indicated, or at any other rate, at all. Fluctuations in the exchange rates between the RMB and the RM will affect the RMB equivalent of the RM price of our Shares on Bursa Securities and the RM equivalent of any cash dividend paid by us in RMB.

Save for Section 11 of this Prospectus and unless otherwise stated, where the same exchange rates as per the Accountants' Report were adopted, the exchange rates used in the remaining Sections of the Prospectus are based on the exchange rates as at the LPD.

We believe that we have extracted the relevant information in its proper form and context in this Prospectus, and have not verified the above exchange rates.

Singapore Company Number : 200900709K
Malaysia Foreign Company Registration Number : 995226-U

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Director	Address	Occupation	Nationality
Wang Chao *(Executive Chairman & CEO)*	No. 29 Unit 6 South Jianchang Street Zhifu District Yantai City, Shandong Province PRC	Company Director	Chinese
Wang Wei *(Chief Operating Officer/ Executive Director)*	No. 3-12-16 Fulai Garden South East Taizi Zhifu District Yantai City, Shandong Province PRC	Company Director	Chinese
Li Jun *(Non-Independent Non-Executive Director)*	No. 125 Great Hai Yang Street Zhifu District Yantai City, Shandong Province PRC	Company Director	Chinese
Tam Fook Cheong *(Independent Non-Executive Director)*	30-2-3A Bukit Desa Condominium Jalan 3/109B Taman Desa 58100 Kuala Lumpur Malaysia	Company Director	Malaysian
Foo San Kan *(Independent Non-Executive Director)*	G-6-1 Hijauan Kiara No 6 Jalan Kiara 5 Mont' Kiara 50480 Kuala Lumpur Malaysia	Company Director	Malaysian
Low Yew Shen *(Independent Non-Executive Director)*	60 Bayshore Road #05-01 Singapore 469982	Solicitor	Singaporean

AUDIT COMMITTEE

Name	Designation	Directorship
Foo San Kan	Chairman	Independent Non-Executive Director
Tam Fook Cheong	Member	Independent Non-Executive Director
Low Yew Shen	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (CONT'D)

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tam Fook Cheong	Chairman	Independent Non-Executive Director
Foo San Kan	Member	Independent Non-Executive Director
Low Yew Shen	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Low Yew Shen	Chairman	Independent Non-Executive Director
Foo San Kan	Member	Independent Non-Executive Director
Tam Fook Cheong	Member	Independent Non-Executive Director

COMPANY SECRETARY : Leong Yoke Yeng
221 Queensway
#09-07
Viz at Holland
Singapore 276750
Tel. No.: (65) 6535 1944
Fax No.: (65) 6535 8577

COMPANY AGENT IN MALAYSIA : PFA Corporate Consultants Sdn Bhd (232360-T)
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: (603) 2264 8888
Fax No.: (603) 2282 2733

REGISTERED OFFICE IN SINGAPORE : 1 Robinson Road
#17-00 AIA Tower
Singapore 048542
Tel. No.: (65) 6535 1944
Fax No.: (65) 6535 8577

REGISTERED OFFICE IN MALAYSIA : Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: (603) 2264 8888
Fax No.: (603) 2282 2733

HEAD OFFICE : No. 3 North Wolong Road
Yantai City, Shandong Province
PRC
Tel. No. : (86) 535 6019888
Fax No. : (86) 535 6658621
Website : www.ohuawine.com[*1]
E-mail : info@ohuawine.com

1. CORPORATE DIRECTORY (CONT'D)

CORPORATE OFFICE IN MALAYSIA	:	18th Floor C, UBN Tower No.10 Jalan P. Ramlee 50250 Kuala Lumpur Malaysia Tel. No.: (603) 2026 5331 Fax No.: (603) 2026 5332
AUDITORS	:	Ernst & Young LLP One Raffles Quay North Tower, Level 18 Singapore 048583 Tel. No.: (65) 6535 7777 Fax No.: (65) 6532 7662
REPORTING ACCOUNTANTS	:	Ernst & Young (AF0039) Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia Tel. No.: (603) 7495 8000 Fax No.: (603) 2095 9076
LEGAL ADVISOR FOR THE IPO	:	Cheang & Ariff 39 Court @ Loke Mansion 273A Jalan Medan Tuanku 50300 Kuala Lumpur Malaysia Tel. No.: (603) 2691 0803 Fax No.: (603) 2692 8533
LEGAL ADVISOR FOR THE SINGAPORE LAW	:	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542 Tel. No.: (65) 6535 1944 Fax No.: (65) 6535 8577
LEGAL ADVISOR FOR THE PRC LAW	:	Jingtian & Gongcheng 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing 100025 PRC Tel. No.: (86) 10 58091000 Fax No.: (86) 10 58091100
INDEPENDENT MARKET RESEARCHER	:	Frost & Sullivan GIC Malaysia Sdn Bhd (768648-K) Suite E-08-15, Block E Plaza Mont' Kiara 2 Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Malaysia Tel. No.: (603) 6204 5800 Fax No.: (603) 6021 7402

1. CORPORATE DIRECTORY (CONT'D)

PRINCIPAL BANKERS	:	China Construction Bank Co., Ltd. Yantai Branch (Wolong Sub-branch) No. 184, Shi Xue Road Yantai City, Shandong Province PRC Tel. No.: (86) 535 6021395 Fax No.: (86) 535 6015577
		Bank of China Ltd., Yantai Branch 166, Jiefang Road Yantai City, Shandong Province PRC Tel. No.: (86) 535 6599992 Fax No.: (86) 535 6599116
		OCBC Bank Enterprise Banking OCBC Bank 63 Chulia Street #05-00 OCBC Centre East Singapore 049514 Tel. No.: (65) 6538 1111 Fax No.: (65) 6532 1416
ADVISER, UNDERWRITER AND PLACEMENT AGENT	:	OSK Investment Bank Berhad (14152-V) 20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel. No.: (603) 2333 8333 Fax No.: (603) 2175 3217
INTERNATIONAL FINANCIAL ADVISER AND INTERNATIONAL PLACEMENT AGENT	:	Kim Eng Corporate Finance Pte Ltd (200207700C) 9 Temasek Boulevard #39-00 Suntec Tower Two Singapore 038989 Tel. No.: (65) 6336 9090 Fax No.: (65) 6336 3912
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel. No.: (603) 7841 8000 Fax No.: (603) 7841 8150
MALAYSIAN SHARE REGISTRAR	:	Tricor Investor Service Sdn Bhd (118401-V) (formerly known as Tenaga Koperat Sdn Bhd) Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia Tel. No.: (603) 2264 3883 Fax No.: (603) 2282 1886

1. CORPORATE DIRECTORY (CONT'D)

LISTING SOUGHT : Main Market of Bursa Securities

Note:-

*1 *Information contained in our website does not constitute part of this Prospectus*

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2. INFORMATION SUMMARY

THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT US AND THE IPO AND IS EXTRACTED FROM THE FULL TEXT OF THIS PROSPECTUS. YOU SHOULD CAREFULLY READ AND UNDERSTAND THIS SECTION TOGETHER WITH THE WHOLE PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN US.

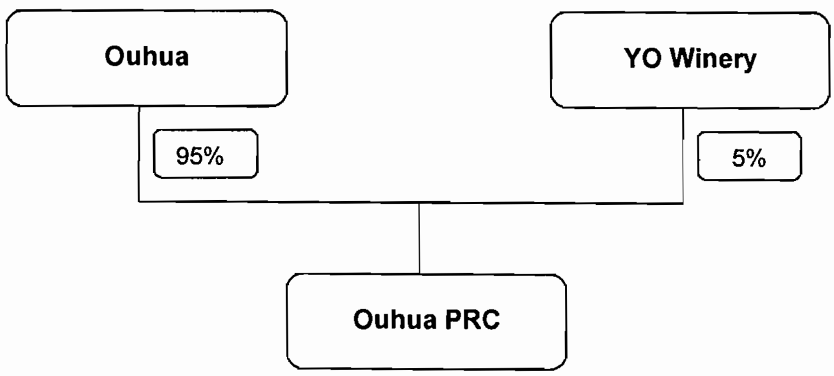
2.1 Background and Principal Activities

Our Company was incorporated in Singapore under the Singapore Companies Act on 12 January 2009 as a private limited company under the name of China Ouhua Winery Holdings Pte Ltd. On 30 October 2009, our Company was registered in Malaysia as a foreign company. We were subsequently converted into a public limited company on 24 November 2009 and assumed our present name. On 1 December 2009, our Malaysian registered foreign company has notified the ROC on the change of its name to China Ouhua Winery Holdings Limited. We were incorporated and commenced business as an investment holding company to facilitate our Listing.

We had undertaken a Restructuring Exercise prior to our Listing. Pursuant to the Restructuring Exercise, we had, on 13 March 2009 entered into an equity transfer agreement to acquire from Hualian a 25% equity interest in Ouhua PRC for a purchase consideration of approximately RMB1 million. Subsequently, we had, on 16 March 2009 entered into a capital increase agreement with YO Winery for a capital injection by us of USD8.4 million into Ouhua PRC resulting in our shareholdings in Ouhua PRC to increase from 25% to 95% with the remaining 5% equity interest in Ouhua PRC being held by YO Winery. Prior to the Restructuring Exercise, Mr. Wang Chao, our founder, Executive Chairman and CEO was the ultimate beneficial owner of Ouhua PRC, holdings his interest therein through Hualian and YO Winery.

Through our 95% owned subsidiary, Ouhua PRC, we are involved in the production and distribution of red and white wines under our flagship Fazenda Ohua Wine labels and our International Wine labels.

The present corporate structure of our Group is set out below:-



Further details of our history, group structure, Restructuring Exercise, Listing Scheme and achievements are set out in Section 5 of this Prospectus.

2.2 Ownership and management

Our Promoter, substantial shareholders, Directors and key management and technical personnel are set out below:-

2.2.1 Promoter

Name	Designation
Hua Xin	-

2.2.2 Substantial Shareholders

Name	Designation
Hua Xin	-
HK Yin Kang	-
Soleil	-
Primeforth	-

2.2.3 Directors

Name	Designation
Wang Chao	Executive Chairman & CEO
Wang Wei	Executive Director
Li Jun	Non-Independent Non-Executive Director
Tam Fook Cheong	Independent Non-Executive Director
Foo San Kan	Independent Non-Executive Director
Low Yew Shen	Independent Non-Executive Director

2.2.4 Key Management and Technical Personnel

Name	Designation
Wang Chao	CEO
Wang Wei	Chief Operating Officer
Mei Kebing	Marketing and Sales Director
Tang Liu	Brand Strategy Director
Sun Cunhui	Production and Technical Director
Sun Luning	Chief Winemaker
Hui Kang Sang	Chief Financial Officer
Song Jiakai	Financial Controller
Zhuang Jinjie	Assistant General Manager - Administration

Further details of our Promoter, substantial shareholders, Directors and key management and technical personnel and their direct and indirect shareholdings in our Company are set out in Section 8 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.3 Business Model

2.3.1 Business Focus

We are one of the producers and distributors of quality grape wines in the PRC, with a portfolio that includes well-recognised proprietary wine labels distributed over approximately 3,100 point-of-sales across the PRC. Our business operations span across the entire value chain of the wine industry, from the cultivation of vineyards and production of wines to the strategic management of retail networks for our wine labels, adding value at each stage of the value chain.

2.3.2 Core Revenue Stream

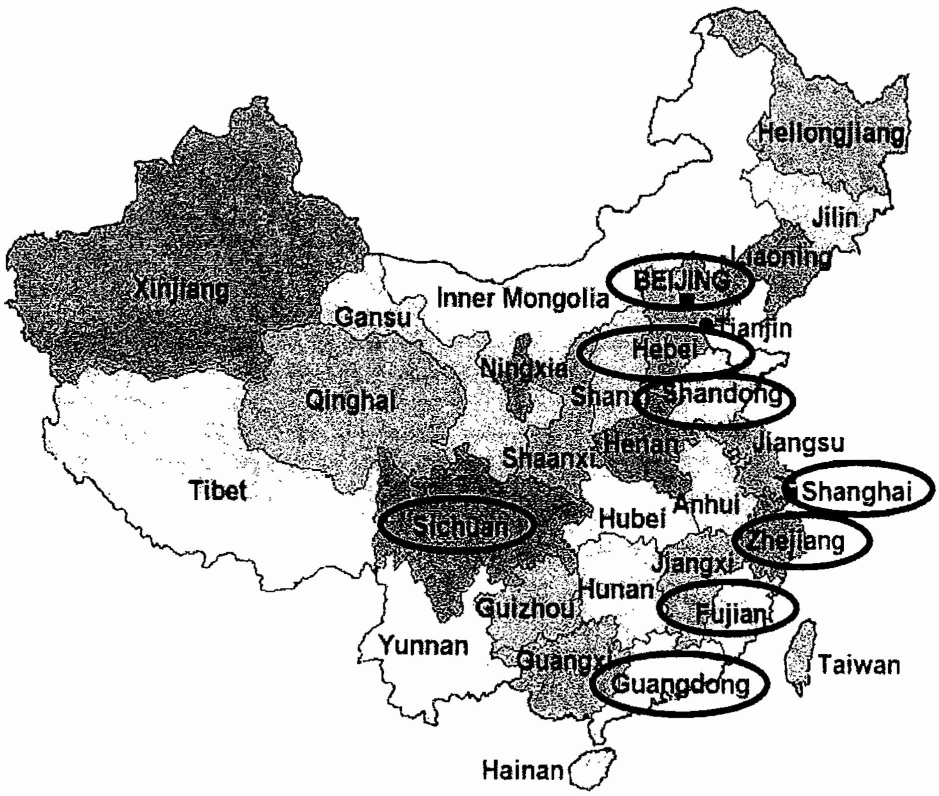
We currently distribute for sale approximately 147 varieties of red and white wines under our flagship Fazenda Ohua Wine labels and our International Wine labels.

Our wide range of wines comprises a majority of the red wine grape varietals such as Cabernet Sauvignon, Pinot Noir, Shiraz and Merlot and white wine grape varietals such as Chardonnay, Riesling, Sauvignon Blanc and Pinot Blanc marketed under our flagship Fazenda Ohua Wine labels and our International Wine labels, serve to broaden our customer base and revenue stream.

Further details of our business model are set out in Section 6.1 of this Prospectus.

2.4 Principal Markets

All our wines are produced for sale and marketed within the PRC. Our principal markets within the PRC can be depicted as follows:-



Further details of our principal markets are set out in Section 6.4 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.5 Competitive Strengths and Future Plans

2.5.1 Competitive Strengths

Our business is supported by a strong platform of strengths and competitive advantages to sustain the business as well as to support growth. These key competitive advantages are set out below:-

i. Our well-recognised flagship Fazenda Ohua Wine labels and International Wine labels enhanced by strategic marketing and diverse offerings of wine products to cater to the multi-tiered PRC consumer market segments;

ii. Our extensive reach to PRC consumers through our wide distribution network, in particular our innovative one-stop Fazenda Ohua specialty stores concept;

iii. Our strategic location and own vineyards in Yantai City, Shandong Province which known as the "Oriental Bordeaux" and the grape wine hub of PRC, allow us direct and easy access to stable and consistent supplies of quality materials;

iv. Our commitment to meeting with our national quality standards;

v. Our experienced management team with proven track record; and

vi. Our head start over other competitors.

Further details of our competitive strengths are set out in Section 6.2 of this Prospectus.

2.5.2 Future Plans

Our future plans for the continued growth of our business are set out below:-

i. Expand our market presence and distribution network, in particular Fazenda Ohua specialty stores;

ii. Enhance our R&D capabilities;

iii. Expand our production capacity and range of wines; and

iv. Enhance the quality of and control over our materials supplies.

Further details of our future plans are set out in Section 6.25 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.6 Financial Highlights

2.6.1 Proforma Consolidated Statements of Comprehensive Income

The following table sets out a summary of the proforma consolidated statements of comprehensive income of our Group for the six (6)-month FPE 30 June 2010 and the audited financial statements for the past three (3) FYE 31 December 2009, prepared based on the assumption that our Group has been in existence throughout the financial years and periods under review. The proforma consolidated statement of comprehensive income are presented for illustrative purposes only and should be read in conjunction with the Accountants' Report and the Reporting Accountants' Letter together with the notes and assumptions accompanying the proforma consolidated financial information set out in Sections 12 and 13 of this Prospectus, respectively.

	Proforma Six (6)-month FPE 30 June 2010		Audited Six (6)-month FPE 30 June 2010		Unaudited Six (6)-month FPE 30 June 2009		Audited FYE 31 December 2009		2008		2007	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	229,270	112,251	229,270	112,251	177,211	90,697	375,530	189,718	301,517	145,090	178,736	80,718
Cost of sales	(94,602)	(46,317)	(94,602)	(46,317)	(80,178)	(41,035)	(168,024)	(84,886)	(135,033)	(64,978)	(83,182)	(37,565)
Gross Profit	134,668	65,934	134,668	65,934	97,033	49,662	207,506	104,832	166,484	80,112	95,554	43,153
Other items of income												
Interest income	128	63	128	63	76	39	123	62	209	101	181	82
Other income	162	79	162	79	-	-	6,621	3,345	519	250	-	-
Other items of expense												
Marketing and distribution	(25,192)	(12,334)	(25,192)	(12,334)	(13,891)	(7,109)	(34,063)	(17,209)	(21,917)	(10,546)	(13,966)	(6,307)
Administrative expenses	(9,616)	(4,708)	(9,616)	(4,708)	(5,792)	(2,964)	(13,484)	(6,812)	(9,630)	(4,634)	(7,852)	(3,546)
Interest expense	(3,039)	(1,488)	(3,039)	(1,488)	(139)	(71)	(2,545)	(1,286)	(68)	(33)	-	-
Other expense	(8,209)	(3,955)	(2,970)	(1,454)	(2,254)	(1,155)	(5,564)	(2,810)	(459)	(221)	(1,244)	(562)
PBT	88,902	43,591	94,141	46,092	75,033	38,402	158,594	80,122	135,138	65,029	72,673	32,820

2. INFORMATION SUMMARY (CONT'D)

	Proforma Six (6)-month FPE 30 June 2010		Audited Six (6)-month FPE 30 June 2010		Unaudited Six (6)-month FPE 30 June 2009		<---Audited---> <---FYE 31 December---> 2009		2008		2007	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Income tax (expense)/ credit	(16,110)	(7,887)	(16,110)	(7,887)	(12,552)	(6,424)	(25,821)	(13,045)	(20,325)	(9,780)	1,242	561
PAT	72,792	35,704	78,031	38,205	62,481	31,978	132,773	67,077	114,813	55,249	73,915	33,381
Other comprehensive (loss)/ income												
Foreign currency translation	(19)	(7,146)	(19)	(7,146)	(41)	1,076	(141)	(1,684)	-	7,891	-	196
Total comprehensive income for the period/year	72,773	28,558	78,012	31,059	62,440	33,054	132,632	65,393	114,813	63,140	73,915	33,577
Profit attributable to:-												
- Owners of the Company	68,385	33,546	73,624	36,047	59,083	30,239	125,500	63,403	108,870	52,388	70,220	31,712
- MI	4,407	2,158	4,407	2,158	3,398	1,739	7,273	3,674	5,943	2,861	3,695	1,669
	72,792	35,704	78,031	38,205	62,481	31,978	132,773	67,077	114,813	55,249	73,915	33,381
Total comprehensive income attributable to:-												
- Owners of the Company	68,366	26,803	73,605	29,304	59,042	31,257	125,359	61,800	108,870	59,886	70,220	31,898
- MI	4,407	1,755	4,407	1,755	3,398	1,797	7,273	3,593	5,943	3,254	3,695	1,679
	72,773	28,558	78,012	31,059	62,440	33,054	132,632	65,393	114,813	63,140	73,915	33,577
EBITDA	96,289	47,208	101,528	49,709	78,619	40,237	169,722	85,744	140,691	67,702	77,726	35,101
Gross profit margin (%)	58.7	58.7	58.7	58.7	54.8	54.8	55.3	55.3	55.2	55.2	53.5	53.5
PBT margin (%)	38.8	38.8	41.1	41.1	42.3	42.3	42.2	42.2	44.8	44.8	40.7	40.7
PAT margin (%)	31.8	31.8	34.0	34.0	35.3	35.3	35.4	35.4	38.1	38.1	41.4	41.4
EPS (RMB/ RM) (excluding MI and proforma estimated listing expenses)	0.13	0.06	0.13	0.06	0.11	0.06	0.23	0.12	0.20	0.10	0.13	0.06

2. INFORMATION SUMMARY (CONT'D)

	Proforma Six (6)-month FPE 30 June 2010		Audited Six (6)-month FPE 30 June 2010		Unaudited Six (6)-month FPE 30 June 2009		<---Audited---> <---FYE 31 December---> 2009		2008		2007	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Current ratio (times)*2 (Total current assets/ total current liabilities)	5.75	5.75	3.63	3.63	N/A	N/A	3.10	3.10	2.29	2.29	0.85	0.85
Gearing ratio (times)*2 (Total liabilities/ total equity (excluding MI))	0.19	0.19	0.30	0.30	N/A	N/A	0.29	0.29	0.30	0.30	0.56	0.56
NTA (NA excluding MI and non-current prepayments)	326,931	156,069	298,725	142,609	N/A	N/A	225,016	113,059	161,548	82,381	84,440	38,234
NA (excluding MI)	334,795	159,822	306,589	146,362	N/A	N/A	232,984	117,058	169,724	86,538	92,824	42,035
NTA per ordinary share (RMB/ RM)*3	0.44	0.29	0.56	0.27	N/A	N/A	0.42	0.21	0.30	0.15	0.16	0.07
NA per ordinary share (RMB/ RM)*3	0.63	0.30	0.57	0.27	N/A	N/A	0.44	0.22	0.32	0.16	0.17	0.08
Number of ordinary share (after conversion of promissory notes and before Public Issue)	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450

Notes:-

*1 *As the holding company, Ouhua, was incorporated on 12 January 2009, the financial statements of the subsidiary, namely Ouhua PRC for the FYEs 31 December 2008 and 2007, were used in arriving at the above ratios*

*2 *Based on the assumption of after conversion of promissory notes and before Public Issue*

*3 *Number of ordinary shares used in the calculation is based on Proforma I (after conversion of promissory notes and before Public Issue) in the proforma consolidated financial information*

The proforma consolidated statements of comprehensive income of our Group are mainly extracted from the audited financial statements of Ouhua PRC for the FYE 31 December 2007 and 2008 and the audited consolidated financial statements of Ouhua Group for the six (6)-month FPE 30 June 2010 which have been prepared in accordance with the applicable International Financial Reporting Standards for the purpose of inclusion in the preparation of the proforma consolidated statements of comprehensive income.

2. INFORMATION SUMMARY (CONT'D)

2.7 Principal Statistics relating to our IPO

The following statistics relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with the text.

2.7.1 Share capital

	Number of Shares	Share Capital SGD	Share Capital RM
Issued and paid-up share capital as at the date of this Prospectus	535,450,000	5,500,100*1	12,795,983
Shares to be issued pursuant to the Public Issue	132,550,000	32,565,474	75,763,575*2
Enlarged issued and paid-up share capital upon Listing	668,000,000	38,065,574	88,559,558

Notes:-

*1 *The conversion of the SGD5.5 million into Ouhua Shares is based on the amount invested by the Pre-IPO Investors excludes fair value adjustment to the embedded derivative component as well as the translation of difference and accretion of interest for the liability component*

*2 *After netting off the estimated listing expenses of RM3,766,425*

2.7.2 IPO Price

IPO Price for each IPO Share is RM0.60.

2.7.3 Market capitalisation

Market capitalisation of our Company based on IPO Price is RM400.8 million.

2.7.4 Proforma NTA based on our Proforma Consolidated Statements of Financial Position as at 30 June 2010

	RMB'000	RM'000
Proforma NTA, excluding MI and prepayments, upon Listing *(After taking into account our Public Issue of 132,550,000 new Ouhua Shares at the IPO Price and after deducting estimated listing expenses of RM10,338,900) (Based on the exchange rate of RMB1:RM0.4623 as at LPD)*	480,459	222,116
Proforma NTA per Share, excluding MI and prepayments, upon Listing (RMB/ RM) *(Based on our enlarged issued and paid-up share capital after our Public Issue of 668,000,000 Ouhua Shares)*	0.72	0.33

2.7.5 Classes of Shares and ranking

We have only one (1) class of shares, namely ordinary shares. The IPO Shares shall rank *pari passu* in all respects with our existing Ouhua Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Further details on our IPO are set out in Section 3 of this Prospectus.

2.8 Utilisation of Proceeds from the Public Issue

We expect the total gross proceeds from the Public Issue to amount to approximately RM79,530,000 based on the IPO Price of RM0.60 per IPO Share. The proceeds shall come to us and we shall bear all expenses relating to the listing of and quotation for our entire issued and paid-up share capital on the Main Market of Bursa Securities.

We expect the proceeds to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation upon Listing	Amount RM'000	As a percentage of total gross proceeds %
Expansion of our market presence and distribution network, in particular Fazenda Ohua specialty stores	Within 24 months	35,788	45
Enhance the quality of and control over our materials supplies	Within 24 months	7,952	10
Expansion of our production capacity and range of wines	Within 24 months	11,930	15
Enhance R&D Capabilities	Within 24 months	3,977	5
Working Capital	Within 12 months	9,544	12
Estimated listing expenses	Upon Listing	10,339	13
		79,530	**100**

Further details on the utilisation of proceeds are set out in Section 3.10 of this Prospectus.

2.9 Risk Factors

An investment in shares listed or to be listed on Bursa Securities involves a number of risks. You should rely on your own evaluations and carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on our future performance, in addition to the other information contained elsewhere in this Prospectus, before applying for any IPO Shares, which are the subject of this Prospectus.

The risk factors that may affect our future financial profitability are not limited to financial risks and industry risks, and include the following:-

i. Risks relating to our Business and Industry

- Grape wine consumption is in the nascent stage of development and account for only a low percentage of overall alcoholic consumption in the PRC
- Reliance on supply of grape and wine materials
- Reliance on Fazenda Ohua brand
- Reliance on distribution network
- Reliance on our red wine products
- Reliance on the PRC market
- Risk of outbreak of food-related diseases
- Risk of food contamination and deterioration
- New wines developed by us may not be successful
- Risk of non-renewal and revocation of permits and business licences
- Difficulties in ensuring customer loyalty due to the capricious nature of consumer spending
- Exposure to product liability claims
- Affected by intellectual property rights disputes
- Reliance on our Executive Directors and Officers
- No assurance that our future plans will be commercially successful
- Pending registration of trademark, we may be subject to claims of infringement of third parties' intellectual property rights
- Registered marks may be affected by intellectual property rights disputes

ii. Risks relating to the PRC

- Our business may be adversely affected by the reforming and uncertainty of the PRC legal system
- Changes in the PRC governmental rules and regulations may have a significant impact on our business
- Cessation of income tax exemptions and incentives for our subsidiary may have an impact on our net profit
- PRC foreign exchange control may limit our ability to utilise our revenue effectively and affect our ability to receive dividends and other payments from Ouhua PRC
- Foreign exchange rate fluctuations
- Holding company that relies heavily on dividend payment from our subsidiary for funding
- Enforceability of shareholder rights

iii. Risks relating to our Company being incorporated in Singapore

- Rights and protection accorded to our shareholders may be different from those applicable to shareholders of a Malaysian incorporated company
- Changes in laws and regulations may affect our Company's Shares

iv. Risks relating to Investment into our Shares

- No prior public market for our Shares and possible volatility of our share prices
- Trading price and volume of our Shares
- Future sale of our Shares by our controlling shareholder may adversely affect our Share prices

2. INFORMATION SUMMARY (CONT'D)

- Ownership and control by our existing shareholders
- Future fundraising may dilute shareholders equity or restrict our operations
- Payment of dividend is not assured
- Capital restrictions on funds raised in Malaysia
- Delay between admission and trading of the IPO Shares
- Failure/ delay in our Listing
- Political, Economic and Regulatory Risk

2.10 Dividend Policy

Presently, we do not have a fixed dividend policy. However, for the FYE 31 December 2010, subject to the factors outlined in Section 4 of this Prospectus, our Board intends to recommend and distribute 35% of our net profit attributable to our shareholders as dividends. However, investors should note that the intention to recommend the aforesaid dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There is no assurance that dividends will be paid in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. Subject to the Act, our Company may from time to time, declare dividends in any currency to be paid to our shareholders but no dividend shall be declared in excess of the amount recommended by our Board.

We expect to declare dividends in RMB and make payment of the dividends in RM. Shareholders should note that there will be exchange rate exposure in respect of dividends declared in RMB and subsequently paid to them in RM equivalent amounts. Our Company will not be liable for any loss howsoever arising from the conversion of the dividend entitlement of shareholders from RMB into RM equivalent.

Further details on our dividend policy are set out in Section 11.6 of this Prospectus.

3. DETAILS OF THE IPO

3.1 Introduction

This Prospectus is dated 15 October 2010.

We have obtained the SC's approval on 18 May 2010 in respect of our IPO. However, the approval of the SC shall not be taken to indicate that the SC recommends the IPO.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus together with the Application Forms with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

We have obtained the approval from Bursa Securities, for admission to the Official List and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities on 11 October 2010. Official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit the IPO Shares directly with the Bursa Depository and any dealings in our Shares will be carried out in accordance with the Central Depositories Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of our Shares for which listing is sought must be in the hands of 1,000 public shareholders holding not less than 100 Shares each, upon admission to the Official List. We expect to meet this public shareholding requirement at the point of Listing. However, in the event that the aforesaid requirement is not met, we may not be allowed to proceed with the Listing. In such event, we will return in full, without interest, monies paid in respect of all successful applications for the IPO. If any such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You must have a CDS account when applying for our IPO Shares. In the case of an application by way of Application Form, you should state your CDS account in the space provided in the Application Form. If you do not presently have a CDS account, you must open a CDS account at an ADA prior to making an application for our IPO Shares.

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and you shall furnish your CDS account number to the Participating Financial Institutions by way of keying in your CDS account number if the instructions on the ATM screen at which you submit your Electronic Share Application requires you to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS account and an existing account with access to the Internet financial services with Internet Participating Financial Institutions can make an Internet Share Application. You shall furnish your CDS account number to the Internet Participating Financial Institutions by keying your CDS account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Internet Share Application.

You should rely on the information contained in this Prospectus. Neither us nor our Adviser have authorised anyone to provide you with the information that is different and which is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the sale of our IPO Shares in other jurisdictions outside Malaysia may be restricted by the law. If you have come into possession of this Prospectus, we require you to inform yourself of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to subscribe for any IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation is not authorised or lawful. This Prospectus shall also not be used to make an offer or invitation of our Shares to any person to whom it is unlawful to do so.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinion or reports expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our Company or our Shares.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN US. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN DOUBT ABOUT THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

3.2 Opening and Closing of Application

Your applications for our IPO Shares will be accepted from 10.00a.m. on 15 October 2010 and will close at 5.00p.m. on 22 October 2010 or such other later time and date or dates as our Directors and our Underwriter may mutually decide in their absolute discretion. We will not accept any late applications.

3.3 Indicative Timetable

The indicative timing of events leading up to our Listing is set out below:-

Events	Tentative Dates
Opening of application for the IPO Shares	15 October 2010
Closing of the application for the IPO Shares	22 October 2010
Balloting of the applications for the IPO Shares	26 October 2010
Allotment of the IPO Shares to successful applicants	1 November 2010
Tentative Listing Date	3 November 2010

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application will close at the date stated above or such later date as our Directors and/ or Promoters together with our Underwriter in their absolute discretion may decide.

In the event the closing date for application is extended, we will advertise the notice of the extension in a widely-circulated English as well as Bahasa Malaysia newspapers prior to the original closing date of the application. Following this, the dates for the balloting of the application for the IPO Shares, allotment of the IPO Shares and Listing would be extended accordingly.

3.4 Purposes of the IPO

Our purposes and objective of the IPO are as follows:-

i. To facilitate our Listing on the Main Market of Bursa Securities;

ii. To enhance our stature and recognition through our listing status for the market expansion of our Group's products;

iii. To enhance the liquidity of our Shares, to enhance transparency and discipline of our corporate management;

iv. To provide an opportunity for the investing community, including our eligible Directors, employees and business associates and the Malaysian Public to participate in our equity, future performance and continuing growth of our Group;

v. To enable our Group to gain access to the capital market to source for funds, either through equity funding or borrowings, for our future expansion and continued growth of our Group; and

vi. To enable us to raise funds for our continued operation and expansion, details of which are elaborated in Section 6.25 of this Prospectus.

3.5 Share Capital

	Number of Shares	Share Capital SGD	Share Capital RM
Issued and paid-up share capital as at the date of this Prospectus	535,450,000	5,500,100[*1]	12,795,983
Shares to be issued pursuant to the Public Issue	132,550,000	32,565,474	75,763,575[*2]
Enlarged issued and paid-up share capital upon Listing	668,000,000	38,065,574	88,559,558

Notes:-

*1 *The conversion of the SGD5.5 million into Ouhua Shares is based on the amount invested by the Pre-IPO Investors excludes fair value adjustment to the embedded derivative component as well as the translation of difference and accretion of interest for the liability component*

*2 *After netting off the estimated listing expenses of RM3,766,425.*

You are to pay in full on application the IPO Price of RM0.60 for each IPO Share.

We have only one (1) class of shares, namely ordinary shares. The IPO Shares shall rank *pari passu* in all respects with our existing Ouhua Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on our Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles and the provisions of the Act.

You are entitled to vote at any of our general meeting in person or by proxy or by attorney, and, on a show of hands, every person present in the general meeting, who is a shareholder shall have one (1) vote, and on poll, every shareholder presents in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for every Share held. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

3.6 Market Capitalisation upon Listing

Based on the IPO Price of RM0.60 per IPO Share and the enlarged issued and paid-up share capital of 668,000,000 Ouhua Shares, our market capitalisation upon Listing on the Main Market of Bursa Securities will be RM400,800,000.

3.7 Proforma NTA based on our Proforma Consolidated Statements of Financial Position as at 30 June 2010

	RMB'000	RM'000
Proforma NTA, excluding MI and prepayments, upon Listing *(After taking into account our Public Issue of 132,550,000 new Ouhua Shares at the IPO Price and after deducting estimated listing expenses of RM10,338,900) (Based on the exchange rate of RMB1:RM0.4623 as at LPD)*	480,459	222,116
Proforma NTA per Share, excluding MI and prepayments, upon Listing (RMB/ RM) *(Based on our enlarged issued and paid-up share capital after our Public Issue of 668,000,000 Ouhua Shares)*	0.72	0.33

3.8 Details of the IPO

We will undertake the Public Issue in conjunction with our Listing on the Main Market of Bursa Securities.

Our Public Issue of a total 132,550,000 IPO Shares, representing approximately 19.8% of our enlarged issued and paid-up share capital, at an IPO Price of RM0.60 per IPO Share shall be payable in full on application subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated and allotted in the manner as set out below:-

i. **Malaysian Public**

8,000,000 IPO Shares representing approximately 1.2% of our enlarged issued and paid-up share capital will be made available for application by the Malaysian Public.

ii. Placement to selected investors

124,550,000 IPO Shares representing approximately 18.6% of our enlarged issued and paid-up share capital will be made available for application by way of placement to identified investors.

All the 8,000,000 IPO Shares available for application by the Malaysian Public in respect of Sections 3.8 (i) of this Prospectus have been fully underwritten by our Underwriter.

All the 124,550,000 IPO Shares available for application by way of placement to identified investors in respect of Section 3.8 (ii), of this Prospectus are not underwritten. Irrevocable undertakings have been obtained from selected investors to take up the IPO Shares available under the private placement. The amount of offering will not be increased via any over-allotment or "greenshoe" option.

Any IPO Shares not subscribed for under Sections 3.8 (i) of this Prospectus will be made available for application by way of placement to identified investors. Thereafter, any remaining re-offered IPO Shares that are not subscribed for will then be subscribed by our Underwriter based on the terms and conditions of the Underwriting Agreement dated 28 September 2010. However, in the event that all IPO Shares under Section 3.8 (i) of this Prospectus are over-subscribed, the IPO Shares not subscribed for under Section 3.8 (ii) of this Prospectus, if any, will be made available for application by the Malaysian Public.

The minimum number of Ouhua Shares to be subscribed for the IPO is all the IPO Shares available under the IPO in order for us to meet the public spread requirement i.e. at least 25% of our enlarged issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the time of our admission to the Official List.

All our IPO Shares to be issued pursuant to the IPO shall rank *pari passu* in all respects with our existing Ouhua Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

3.9 Basis of Arriving at the IPO Price

Prior to the IPO, there has been no public market for our Shares. The IPO Price of RM0.60 per IPO Share was determined and agreed upon by our Directors and Promoter, together with OSK, our Adviser, Underwriter and Placement Agent, after taking into consideration the following factors:-

i. Our Financial History

Our Group recorded an audited consolidated PAT excluding MI of approximately RMB125.5 million (equivalent to approximately RM58.0 million) for the FYE 31 December 2009. Based on our IPO Price of RM0.60 per IPO Share and our enlarged issued and paid-up share capital upon Listing of 668,000,000 Ouhua Shares, our proforma consolidated basic EPS is RMB0.19 (equivalent to approximately RM0.09).

ii. Our Proforma Consolidated NA

Our Group's proforma consolidated NA excluding MI of approximately of RMB488.3 million or RMB0.73 (equivalent to approximately RM0.35 based on the exchange rate extracted from the proforma consolidated financial information) per Share after the Listing and the proposed utilisation of the proceeds raised from the Public Issue, assuming the Listing was completed on 30 June 2010.

iii. **Our Proforma Price-Earnings Multiple**

Based on our existing issued and paid-up share capital prior to Listing of 535,450,000 Ouhua Shares, our proforma consolidated basic EPS excluding MI for the FYE 31 December 2009 is RMB0.23 (equivalent to approximately RM0.11). Based on our IPO Price of RM0.60 per IPO Share, this will translate into a proforma price-earnings multiple of approximately 5.5 times.

Based on our enlarged issued and paid-up share capital upon Listing of 668,000,000 Ouhua Shares, our proforma consolidated basic EPS for the FYE 31 December 2009 is RMB0.19 (equivalent to approximately RM0.09). Based on our IPO Price of RM0.60 per IPO Share, this will translate into a proforma price-earnings multiple of approximately 6.7 times.

iv. **Our Operating History and Nature of Business**

We are one of the producers and distributors of quality grape wines in the PRC. Our competitive strengths and advantages have contributed to our achievements as of to date and provide a platform to strengthen our position in the wine industry in the PRC. Further information on our operating history and the nature of our business are set out in Sections 5 and 6 of this Prospectus.

v. **Our Prospects and Future Plans**

With the growth anticipated in the wine industry, our future plans, which focuses on market expansion, enhancement of R&D capabilities, production expansion and enhancement of quality control over material supplies, allow our Group to capitalise on our encouraging prospects. Further information on the future prospects of the industry in which we operate in, our future plans strategies and our prospects are set out in Sections 6 and 7 of this Prospectus.

Our Directors and Promoter together with OSK are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

You should note that the market price of our Shares upon listing on the Main Market of Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. You should form your own views on the valuation of the IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares.

3.10 Dilution

Dilution is computed as the difference between the IPO Price paid by the applicants for our IPO Shares and the proforma consolidated NA per Share of our Group immediately after the IPO.

Pursuant to the Public Issue in respect of 132,550,000 IPO Shares at the IPO Price of RM0.60 per IPO Share, our proforma NA per Share after the IPO and after taking into consideration the proposed utilisation of proceeds based on our enlarged issued and paid-up share capital of 668,000,000 Shares would have been RM0.35 based on the exchange rate extracted from the proforma consolidated financial information. This represents an immediate increase in NA per Share of RM0.05 to our existing shareholders and an immediate dilution in the NA per Share of RM0.25, representing approximately 41.7% dilution to our new investors.

3. DETAILS OF THE IPO (CONT'D)

The following table illustrates such dilution on a per Share basis:-

	RM[*1]
IPO Price	0.60
Proforma consolidated NA per Share as at 30 June 2010 (After conversion of convertible notes into ordinary shares in Ouhua)	0.30
Increase in proforma consolidated NA per Share attributable to the existing shareholders (after the Public Issue and proposed utilisation of proceeds)	0.05
Proforma consolidated NA per share after the conversion of convertible notes into ordinary shares in Ouhua, the Public Issue and proposed utilisation of proceeds	0.35
Dilution in NA per Share to new investors	0.25
Dilution in NA per Share to new investors as a percentage of the IPO Price	41.7%

Note:-

*1 *The exchange rates are extracted from the proforma consolidated financial information of Ouhua Group*

The following table summarises the total number of Shares acquired by our substantial shareholders or persons connected or Pre-IPO Investors (as defined in Section 5.5.1.6) from the Restructuring Exercise and the cost per Share to them and to new public investors who subscribe for/ or purchase the IPO Shares pursuant to the IPO:-

	Number of Shares	Total Cash Consideration RM	Cost per Share RM
Hua Xin	340,000,000	158	-[*1]
HK Yin Kang	60,000,000	10,236,600	0.17
Soleil	55,000,000	9,306,000	0.17
Primeforth[*2]	45,000,000	7,677,450	0.17
Accion[*2]	16,000,000	9,073,350	0.57
Pre-IPO Investors[*3]	35,450,000	12,756,150	0.36
New investors	132,550,000	79,530,000	0.60

Notes:-

*1 *Negligible*

*2 *The SC had, on 30 August 2010, approved the disposal by Primeforth of 16,000,000 Ouhua Shares to Accion for a disposal consideration of SGD3.9 million*

*3 *Based on the note purchase agreement dated 23 September 2009, the exchange rate used for the conversion of promissory notes into Ouhua Shares was SGD1:RMB2.3193*

Save for the Shares acquired or received by our substantial shareholders or persons connected pursuant to the Restructuring Exercises, there is no material acquisition of any existing Shares that involves cash in our Company by our substantial shareholders, senior management or persons connected with them, or in which they have the rights to acquire, during the past three (3) years prior to the date of this Prospectus.

3.11 Utilisation of Proceeds from the Public Issue

We expect the total gross proceeds from the Public Issue to amounting RM79,530,000 based on the IPO Price of RM0.60 per IPO Share. The proceeds shall come to us and we shall bear all expenses relating to the listing of and quotation for our entire issued and paid-up share capital on the Main Market of Bursa Securities.

We expect the proceeds to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation upon Listing	Amount RM'000	As a percentage of total gross proceeds %	Notes
Expansion of our market presence and distribution network, in particular Fazenda Ohua specialty stores	Within 24 months	35,788	45	(i)
Enhance the quality of and control over our materials supplies	Within 24 months	7,952	10	(ii)
Expansion of our production capacity and range of wines	Within 24 months	11,930	15	(iii)
Enhance R&D Capabilities	Within 24 months	3,977	5	(iv)
Working Capital	Within 12 months	9,544	12	(v)
Estimated listing expenses	Upon Listing	10,339	13	(vi)
		79,530	100	

Notes:-

i. ***Expansion of our market presence and distribution network, in particular Fazenda Ohua specialty stores***

Part of our proceeds is intended to be allocated to fund the expansion of our sales and distribution network. We intend to expand our market presence and our distribution network, in particular the Fazenda Ohua specialty stores, by penetrating further into our existing markets as well as enter into new geographical regions through the expansion of our distribution network in these markets, either through the appointment of new distributors or the establishment of representative offices in these markets. Simultaneously, we also intend to increase marketing and advertising activities by increasing the number of sales and marketing personnel in our Group to undertake increased sales and marketing activities, and perform quality and consistency checks on the Fazenda Ohua specialty stores as well as to provide assistance to our master distributors in recruiting more sub-distributors to increase the number of Fazenda Ohua specialty stores. In addition, we intend to provide rental subsidies to our distributors as a form of support. We do not bear any cost of setting up a Fazenda Ohua specialty store as costs are absorbed by our distributors. However, we will subsidise an average of approximately RMB1,500 per Sq m for setting up each and every new Fazenda Ohua specialty store.

Kindly refer to Section 6.25.1 for more details on the future expansion of our market presence and distribution network.

ii. ***Enhance the quality of and control over our raw materials supplies***

Part of our proceeds will be utilised to invest in quality grape seeds and latest agricultural techniques such as different pruning, grafting methods and the use of fertilizer to enhance quality of our wine production, strengthen our relationships with existing suppliers and identify new potential suppliers and where opportunity arises by acquiring or establishing new vineyards.

3. DETAILS OF THE IPO (CONT'D)

Kindly refer to Section 6.25.4 for more details on the future enhancement of the quality of and control over raw materials supplies.

iii. ***Expansion of our production capacity and range of wines***

We intend to use part of our proceeds to expand our production capacity and range of wines by upgrading our existing processing facilities and acquiring new winery production equipment including more fermentation tanks such as the tanks with fermentation capacity of 5,000 tonnes and enterprise resource planning systems.

Kindly refer to Section 6.25.3 for more details on the future expansion of our production capacity and range of wines.

iv. ***Enhance R&D Capabilities***

We intend to enhance our cultivation methods, processing procedures and quality controls in all aspect of our value-chain by hiring more experienced botanists, oenologists who specialise in wine-making and process control managers to improve our wine products.

Kindly refer to Section 6.25.2 for more details on the future enhancement of our R&D capabilities.

v. ***Working Capital***

The proceeds earmarked for working capital will be utilised to finance our day to day operations which includes, amongst others, general expenses, purchase of raw materials and repayment of creditors and payment of staff related expenses. The proceeds utilised will improve our liquidity and funds our operating expenses.

Pending the utilisation of the proceeds from the Public Issue for the aforesaid purposes, the proceeds would be placed as deposits with banks or licenced financial institutions, or used for investments in short-term deposits, money market or debt instruments, as our Directors may deem appropriate in their absolute discretion.

The proceeds raised from the Public Issue will not be utilised to discharge, reduce or retire any indebtedness of our Group.

vi. ***Estimated listing expenses***

We will bear all expenses and fees incidental relating to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, which include underwriting commission, brokerage fees, placements fees, professional fees, and other fees.

Listing expenses are estimated at approximately RM10.3 million with the following estimated breakdown:-

	RM
Professional fees	*4,551,000*
Fees payable to authorities	*171,783*
Underwriting and placement fees	*1,448,850*
Brokerage fees	*120,000*
Printing and advertising fees	*700,000*
Issuing house expenses	*100,000*
Miscellaneous	*3,247,267*
Total	*10,338,900*

In the event of an excess/ deficit in the actual quantum of listing expenses, such amount will be adjusted against the amount allocated for working capital purposes accordingly.

3.12 Financial Impact arising from the Utilisation of Proceeds

3.12.1 Increased efficiency and productivity

Our Group will use the proceeds to expand our current capabilities and capacity, including, without limitation the purchase of new or upgrading of existing equipment and machineries. This will enhance the revenues of our Group as our business base expands over the next few years. These new business opportunities will give our Group added flexibility in terms of utilisation of human capital and assets of our Group.

3.12.2 Enhancement of capital structure

It is our objective to minimise our gearing to enable our Group to have the flexibility to invest in new facilities and projects and to raise financing as and when the opportunities arise.

3.13 Underwriting Commission, Brokerage and Placement Fees

3.13.1 Underwriting Commission

OSK, as our Underwriter has agreed to underwrite 8,000,000 IPO Shares to be made available for application by the Malaysian Public. We will pay an underwriting commission at the rate of 4.0% of the IPO Price of RM0.60 for each IPO Share in respect of the 8,000,000 IPO Shares.

3.13.2 Brokerage Fee

We will pay the brokerage fee in respect of the IPO Shares at the rate of 1.0% of the IPO Price of RM0.60 per IPO Share in respect of successful applications which bear the stamps of either OSK, a participating organisation of Bursa Securities, a member of Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association and/ or MIH.

3.13.3 Placement Fee

We will pay our Placement Agent and International Placement Agent a placement fee at the rate of 4.0% of the value of the IPO Shares at the IPO Price of RM0.60 per IPO Share to be placed out to placees identified by our Placement Agent and International Placement Agent and a placement fee at the rate of 0.5% of the IPO Shares at the IPO Price of RM0.60 per IPO Share to be placed out to placees identified by our Group.

3.14 Salient Terms of the Underwriting Agreement

We had on 28 September 2010 entered into an Underwriting Agreement with OSK, whereby OSK had agreed to underwrite 8,000,000 IPO Shares at the IPO Price based on some of the salient terms set out below:-

The following salient terms are extracted from the Underwriting Agreement. The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as prescribed thereto in the Underwriting Agreement:-

i. *Pursuant to Clause 4.1, the obligations of the Sole Underwriter to underwrite the Underwritten Shares under this Agreement are conditional on the performance by the Company of their obligations under this Agreement and on:*

4.1.1 The Sole Underwriter being provided with the reports and/or confirmation in writing and the Sole Underwriter being satisfied on the Closing Date that:

(a) there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Company or Group taken as a whole from that subsequent to the date of this Agreement or

(b) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 8 (Representations, Warranties and Undertakings) materially untrue or inaccurate or result in a material breach of this Agreement by the Company;

4.1.2 The Sole Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 (Certificate) of this Agreement dated the Closing Date signed by a Director of the Company for and on behalf of the Board stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 8 (Representations, Warranties and Undertakings) of this Agreement;

4.1.3 The Prospectus being issued not later than thirty (30) Market Days from the Agreement Date or such date that the Company and Sole Underwriter may agree in writing;

4.1.4 The registration of the Prospectus with the SC and the issue by the SC of the relevant certificate of registration and the lodgement of the Prospectus with the CCM on or before the Issue Date;

4.1.5 The approvals of the respective relevant authorities referred to in Recital E remaining in full force and effect and that all conditions precedent to the approvals have been complied with;

4.1.6 The approval from Bursa Malaysia for the admission of the Company to the Official List of the Main Market and for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market remaining in full force and effect and that all conditions precedent for the IPO have been completed and complied with;

4.1.7 The Sole Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 7 (Underwriting Commission);

4.1.8 The Sole Underwriter receiving the Company's Board of Directors Resolution which shall be in full force and effect and duly certified by the Director and/or Secretary of the Company as true and accurate and in the form and substance acceptable to the Sole Underwriter in respect of the following:-

4.1.8.1 approving the Issue Documents, this Agreement and the transactions contemplated by them;

4.1.8.2 authorising a person to sign and deliver this Agreement on behalf of the Company;

4.1.8.3 authorising the issuance of the Issue Documents

4.1.9 This Agreement being duly signed by all parties and stamped;

4.1.10 The IPO not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the IPO or the Sole Underwriter being reasonably satisfied that the same will be in force on the Closing Date; and

4.1.11 The Sole Underwriter being satisfied that the Company has complied with the policies, guidelines and requirements of the SC, Bursa Malaysia and other relevant authorities and all revisions, amendments and/or supplements thereto.

ii. Pursuant to Clause 4.2, the Sole Underwriter, without prejudice to any of its rights, may waive in writing all or any of the Conditions except for those required by rule of law or governmental, public or regulatory authorities in connection with this Agreement. Any waiver granted shall not preclude the Sole Underwriter from insisting that such condition waived be subsequently complied with at a later date.

iii. Pursuant to Clause 4.3, subject to Clause 4.2 (Waiver) in the event any of the Conditions are not fulfilled or complied with to the satisfaction of the Sole Underwriter on or before the Closing Date, the Sole Underwriter shall be entitled to terminate this Agreement by notice in writing to the Company and in such event the provisions of Clause 11 (Termination) shall apply but without prejudice to the rights of the Sole Underwriter under Clause 7 (Underwriting Commission), Clause 8.4 (indemnity provision in favour of the Sole Underwriter) and Clause 9 (Costs and Expenses).

iv. Pursuant to Clause 11.1, notwithstanding anything contained in this Agreement, the Sole Underwriter may, after consultation with the Company in such manner as the Sole Underwriter shall reasonably determine, by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw its Underwriting Commitment if:

11.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 8 (Representations, Warranties and Undertakings), which is not capable of remedy or, if capable of remedy, is not remedied within thirty (30) days from the date of receipt by the Company of the written notice of such breach; or

3. DETAILS OF THE IPO (CONT'D)

11.1.2 there is failure on the part of the Company to perform any of its obligations contained in this Agreement; or

11.1.3 there is withholding of information of a material nature from the Sole Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group or the success of the IPO; or

11.1.4 there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or

11.1.5 any matter which arose immediately before the date of the Prospectus, would have constituted a material and adverse omission in the context of the IPO; or

11.1.6 any event, act or omission which gives or is likely to give rise to any liability which will have a material and adverse effect on the Company pursuant to the indemnities contained under this Agreement.

11.1.7 there shall have occurred, or happened any of the following circumstances:

11.1.7.1 any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market in Malaysia, foreign exchange market, money market, inter-bank offer or interest rates, either in or outside Malaysia) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

11.1.7.2 any event or series of events beyond the reasonable control of the Sole Underwriter including (without limitation) national disorder, declaration of a state of national emergency, acts of terrorism, respiratory or virus outbreak, acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, tsunami, civil commotion, sabotage, acts of war or accidents; or

11.1.7.3 any change in laws, regulations, directives, policies or rulings in any jurisdiction; or

11.1.7.4 the FTSE Bursa Malaysia Kuala Lumpur Composite Index falling below 1,100 points and has stayed below 1,100 points for three (3) consecutive Market Days between the date of this Agreement and the Closing Date, both dates inclusive *which, in the reasonable opinion of the Sole Underwriter would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole, or the success of the IPO, or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*

v. *Pursuant to Clause 11.2, upon any such notice(s) being given pursuant to Clause 11.1 (Termination), the Sole Underwriter shall be released and discharged of its obligations without prejudice to their rights under this Agreement, and where the Sole Underwriter has terminated or withdrawn its Underwriting Commitments pursuant to Clause 11.1 (Termination), this Agreement shall be of no further force or effect, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 7 (Underwriting Commission), Clause 8.4 (Indemnity provision in favour of the Sole Underwriter) and under Clause 9 (Costs and Expenses) for the payment of costs and expenses already incurred up to the date of or in connection with such termination and under Clause 5.3.2 for the payment of any taxes, duties or levies, and for any antecedent breach.*

The Sole Underwriter shall have the rights to terminate this Agreement by notice in writing served on the Company in the event that the approval of Bursa Malaysia for the admission of the Company to the Official List of the Main Market and for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market is withdrawn or procured but subject to conditions not acceptable to the Sole Underwriter and upon such termination, the obligations of the Company and the Sole Underwriter shall become null and void and none of the parties shall have a claim against each other and that each party shall return any moneys paid to the other or others under this Agreement save for those paid and remaining payable under Clause 7 (Underwriting Commission), Clause 8.4 (indemnity provision in favour of the Sole Underwriter) and 9 (Costs and Expenses) within three (3) Market Days of the receipt of such notice.

vi. *Pursuant to Clause 12, the Sole Underwriter will have the right to terminate this Agreement by notice in writing in the event that the Company is not granted permission by Bursa Malaysia for listing of and quotation for the IPO on the Main Market, and upon such termination the liabilities of the Company and the Sole Underwriter under this Agreement will become null and void and none of the parties will have a claim against each other save that each party must return any moneys paid to the other under this Agreement within three (3) Market Days of the receipt of such notice. Notwithstanding the above, the Company will remain liable in respect of the payment of the Underwriting Commission in accordance with Clause 7 (Underwriting Commission), Clause 8.4 (indemnity provided in favour of the Sole Underwriter) and for the payment of all costs and expenses in accordance with Clause 9 (Costs and Expenses).*

3.15 Trading and Settlement in Secondary Market

Upon listing and quotation on Bursa Securities, our IPO Shares that are being issued in the IPO will be traded through Bursa Securities and settled by book entry settlement through CDS, which will be effected in accordance with the Rules for the operation of CDS accounts, as amended from time to time and the provisions of the Central Depositories Act. Accordingly, we will not deliver share certificates for our IPO Shares. The Bursa Depository operates the CDS.

Depositors holding our Shares are required under the Rules to maintain CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by the Bursa Depository which is entered in the register of members of our Company at our registered office in Singapore and the branch register of the Company at our branch office in Malaysia will be recognised as our members in respect of the number of Shares credited to their respective Securities Accounts.

Transactions in our Shares under the book entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:-

i. To facilitate a share buy-back;

ii. To facilitate conversion of debt securities;

iii. To facilitate company restructuring process;

iv. Where a body corporate is removed from the Official List of Bursa Securities;

v. To facilitate a rectification of any error; and

vi. In any other circumstances determined by the Bursa Depository from time to time, after consultation with SC.

Trading of shares of the companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third (3rd) Market Day following the transaction date.

It is expected that the Shares offered in the IPO will not commence trading on Bursa Securities until approximately ten (10) days after the balloting date. Subscribers of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book-entry transfer to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

4. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities are subject to the legal, regulatory and business environment in PRC. Our business is subject to a number of factors, many of which are outside of our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below.

The risks and investment considerations set out below are not an exhaustive or exclusive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

4.1 Risks relating to our Business and Industry

4.1.1 Grape wine consumption is in the nascent stage of development and account for only a low percentage of overall alcoholic consumption in the PRC

As illustrated in figure 7-13 of Section 7 of this Prospectus, grape wine consumption in the PRC accounted for only 282 ML, or approximately 1.1% of the total alcoholic beverages consumption in 2001. Notwithstanding the increase in market share of grape wine consumption from 282 ML in 2001 to 858 ML in 2008, or approximately 1.7% of the total alcoholic beverages consumption in 2008, as a result of a relatively higher CAGR of grape wine consumption of 17.2% between 2001 and 2008 vis-à-vis other types of alcoholic beverages, average grape wine consumption in the PRC remains low at approximately 0.6 litres per capita in 2008, as compared to the global average of 3.7 litres per capita in 2008.

The lower consumption of grape wine as compared to other alcoholic beverages was due mainly to dietary habits and traditional culture. Traditionally, beer, PRC Spirit and Yellow Wine are the preferred choice of alcoholic beverages in the PRC. Please refer to Section 7 of this Prospectus for more information on the consumption level and structure of the alcoholic beverages in the PRC.

Accordingly, notwithstanding the relatively higher CAGR and increasing market share of grape wine consumption between 2001 and 2008, we cannot guarantee that such growth rates and market share will continue into the future. Any significant adverse changes in the growth rates or market share of grape wine consumption in the PRC may adversely affect our business, operating results, financial conditions and prospects.

4.1.2 Reliance on supply of grape and wine materials

The production and quality of our wines are highly dependent upon sufficient supply of quality grapes and wine materials. During the financial years and financial period under review, all our grapes requirements to produce our local Fazenda Ohua Wines were sourced from grape growers. However, we harvested approximately 1,000 tonnes of grape from our vineyards in September 2009, which was sufficient to meet approximately 7.8% of the total wine production of approximately 7,650 tonnes for 2009.

The market price of grapes and wine materials is determined principally by the supply and demand of grapes and wine materials during a particular year. Based on the management's experience, the price volatility of grapes and wine materials for the financial years and the financial period under review was approximately 10%. Since grapes are agricultural products, their harvests are subject to seasonality, weather condition and other environmental factors which are beyond our Group's control or that of grape growers from whom we purchase our grapes. As at the LPD, we have not experienced any major incidences of spoilt grapes during harvesting.

Our cost of grapes and wine materials accounted for approximately 43.8%, 47.4%, 41.0% and 33.6% of our cost of sales in the six (6)-month FPE 30 June 2010, the FYE 31 December 2009, 2008 and 2007 respectively.

In order to ensure timely delivery of our products to our customers at competitive prices, we need to obtain sufficient quantities of quality grapes at acceptable prices in a timely manner. There is, however, no assurance that we will be able to obtain sufficient quantities of raw materials from our suppliers which are of an acceptable quality and price in a timely manner. Nevertheless, we have not experienced any major incidences of not being able to meet our production requirement due to the shortages of grapes supplies.

A material shortage supply of quality grapes (due to natural calamities such as floods, droughts and earthquakes that could materially affect grape harvests and cause material shortage in the supply of grapes), may lead to disruptions to our planned production and/ or procurement schedules, particularly since our Group does not enter into any long term raw material supply contracts for grapes with our suppliers. Nonetheless, we have not experienced any major incidences of severe climate change in the region which could affect the quality of grapes harvested/ sourced from suppliers.

Should there be any significant increases in the price of grapes and wine materials for our wine production, and if we are unable to pass on such increases in costs to our customers or find alternative suppliers for raw materials at competitive prices, our business and financial performance may be adversely affected.

4.1.3 Reliance on Fazenda Ohua brand

Approximately 87 of our wine varieties are currently marketed and distributed for sale under our flagship Fazenda Ohua Wine labels. Maintaining consumer recognition of our Fazenda Ohua brand name is critical for attracting and expanding the consumer base and future sales for our wines. Promotion and enhancement of our Fazenda Ohua brand name depend largely on our ability to maintain the quality of our wines, and develop new wines to meet consumers' demands.

Popularity of our wines may attract counterfeit products appearing in the market notwithstanding our best efforts in eliminating counterfeit products. Counterfeit products may be of inferior quality which may adversely affect the image and the reputation of our Fazenda Ohua branding.

Failure to maintain the image of our Fazenda Ohua branding and quality standards associated with our Fazenda Ohua branding may have a material adverse effect on our businesses and financial performance.

Further, each of the Fazenda Ohua specialty store is owned by the operators who are responsible for the operation of the Fazenda Ohua specialty stores, including the hiring of staff and inventory. We provide guidance to the operators of the Fazenda Ohua specialty stores and equip them with know-how to operate the Fazenda Ohua specialty store through orientation training and ongoing training that focuses on product knowledge of our wines, inventory management and quality control based on prescribed procedures and policies we prescribed for the operation of the Fazenda Ohua specialty store.

Notwithstanding that these operators may have been trained on and are contractually obliged to adhere to such prescribed procedures and policies for the operation of the Fazenda Ohua specialty store, there is no assurance that these operators will adhere to prescribed procedures and policies.

In the event of any material disregard of our prescribed operating procedures and policies of the Fazenda Ohua specialty stores, the reputation of and consumer perception of our wines and the Fazenda Ohua specialty stores would be adversely affected. This would in turn result in a material adverse impact on our business and financial performance.

4.1.4 Reliance on distribution network

Our revenue derived from our distributors accounted for in aggregate approximately 92.7% and 89.7% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009 respectively. As at the LPD, our distribution network encompasses 13 appointed master distributors and approximately 3,100 point-of-sales spanning no less than 13 provinces and cities in the PRC.

Due to the nature of our business, we do not enter into any long-term contracts with any of our customers for the supply of our products. Our distribution agreements with our appointed master distributors are typically for a period of 12 months, renewable upon mutual agreement. Thus, there is no assurance that our existing master distributors will continue to place orders with us.

Our customers are affected by factors relevant to their respective competitive environment which will affect their operations and sales demand. In the event that the operations and sales demand of our customers are affected by any adverse events, their procurement needs will similarly be affected. Furthermore, our continued business relationship with our customers hinges on our ability to meet their needs, which include, *inter alia,* consistency in delivering quality products, ability to meet the scale of their procurement requirements on a timely basis and our level of customer service.

In the event we are unable to meet the needs of our customers and/ or our customers' operations and procurement needs have been adversely affected, our customers may reduce their purchases from us or cease to purchase from us, and if we are unable to replace their sales contributions with those from other existing or new customers, our financial performance will be materially and adversely affected.

4.1.5 Reliance on our red wine products

Our revenue is primarily attributed by the sale of red wine products, which accounted for approximately 86.9%, 88.8%, 89.9% and 86.0% of our total revenue for the six (6)-month FPE 30 June 2010, the FYE 31 December 2009, 2008 and 2007 respectively. Should consumers' taste for red wine change or demand for our red wine products decline for any reason, the potential loss in the revenue may adversely affect our profitability.

4.1.6 Reliance on the PRC market

Our products are sold mainly in the PRC market. Our Directors anticipate that our sales in the PRC will continue to represent a substantial proportion of our Group's turnover and we have no intention to distribute our products outside PRC in the near future. We will continue to focus on the domestic market and expand our market share in the PRC. Any significant decline in the conditions of the PRC economy may result in our profitability and prospects being adversely affected if we are unable to find new markets for our products or divert our sales to other markets outside the PRC on a timely basis.

4.1.7 Risk of outbreak of food-related diseases

The main ingredient for our wine products is grapes. Any outbreak of disease in such ingredient which may render the end-product unsafe for consumption may have a material adverse impact on our business as it may affect the general public consumption of such products.

We are unable to predict future occurrences of such contamination, or whether there will be any outbreaks of new diseases or viruses affecting our main ingredients that we require for our wine products. Any such outbreak may result in reduction in consumption of our wine products due to loss of consumers' confidence. In addition, such event may also have a material adverse effect on the sources of supply and result in us having to source for alternative sources which may be more costly or which may not be available. In such events, there may be a negative impact on our business and financial performance.

As at the LPD, there has not been any major incidences of outbreak of food related diseases or contamination which had affected our Group. However, as a preventive measure, we will continue to strengthen our quality control in sourcing our grapes and wine materials.

4.1.8 Risk of food contamination and deterioration

Food contamination and deterioration are risks inherent to all food industry participants. Given the nature of raw materials used in food production processes, in particular their contaminable and perishable nature, there is always the possibility of contamination and/ or deterioration in raw materials and food products during the production process. Any contamination or deterioration in our raw materials or products, whether through improper handling, outbreak of diseases, illegal tampering or otherwise, may result in our raw materials and wine products being found unsafe for production and consumption respectively. This may lead to delays in production or delivery of our wine products to our customers, a loss in revenue, costs incurred in the purchase of replacement raw ingredients and/ or payment of compensation to our customers for delays, which in turn may materially and adversely affect our reputation, businesses and financial performance.

Further, in the event that the contamination in our wine products are not discovered by the production and quality control staff at our production premises and/ or those of our franchisees and our wine products are sold, consumers may fall ill upon consuming our wine products and consequently complain and make claims against us. In addition, our wine industry permits and business licences may be revoked or not renewed by the authorities. These may in turn materially and adversely affect our reputation, businesses and financial performance.

4.1.9 New wines developed by us may not be successful

We constantly strive to develop new wines in order to meet consumer preferences and market demands. In the course of developing new wines, we may incur significant expenditure in manpower and fixed assets investment. Our R&D activities involved the formulation of new wines to achieve varying degree of alcohol content as well as flavour. Our R&D team continuously conducts testing to improve the flavours and quality of our new wine to suit market trend as well as changing consumer preference. Resulting from this, we intend to allocate approximately RM4.0 million from the proceeds raised from our IPO towards enhancing our product development capabilities through increased expenditure on R&D and cultivation.

There is no assurance that any new wines developed by us will be able to gain market acceptance or that we will be able to generate satisfactory returns from our new wine products. In such circumstances, our business and financial results may be adversely and materially affected.

4.1.10 Risk of non-renewal and revocation of permits and business licences

As a pre-requisite for carrying on our businesses in the PRC, we are required to obtain certain permits, licences and certificates from various governmental authorities. Currently, we have obtained all material permits and business licences for our business operations. However, some of these permits and business licences are subject to periodic renewal and reassessment as well as fulfilment of conditions imposed by the relevant governmental authorities, and the standards of compliance required in relation thereto may from time to time be subject to changes.

Non-renewal or revocation of our permits, licences and certificates will have a material adverse effect on our operations. We will not be able to carry on our business without such permits, licences and certificates being granted or renewed. In addition, it may be costly for us to comply with any subsequent modifications of, additions or new restrictions to, these compliance standards. Should there be any subsequent modifications of, additions or new restrictions to the current compliance standards, we may incur additional costs to comply with the new or modified standards which may adversely affect our businesses and financial performance.

4.1.11 Difficulties in ensuring customer loyalty due to the capricious nature of consumer spending

As our wines are lifestyle consumer products, we are generally affected by consumer spending and behaviour. Consumers in the PRC do not have a long history of wine consumption. Also, they generally exhibit capricious behaviour in making spending choices on consumer goods and services, and base their decisions on various factors such as consumers' taste preferences, level of disposable incomes, spending alternatives, product and services differentiation (including branding and quality) and pricing.

Due to the capricious nature of consumer spending, the continued growth and success of our Group depends on, *inter alia*, our ability to ensure customer loyalty to our brands and products. We believe that the key factors that allow us to ensure customer loyalty to our brands and products and overcome product homogeneity include market recognition of our brands, success of our marketing and promotional strategies, quality of our products and customer service, our ability to react to changes in consumer preferences, dietary habits and tastes, our Group's reputation and our ability to compete against our direct competitors and substitute products. Any significant adverse changes in these key factors from our Group's perspective may adversely affect our ability to ensure customer loyalty to our brands and products.

We try to instill brand consciousness as well as promote brand loyalty through various advertising means such as billboard advertising where billboards are strategically situated throughout the different cities in PRC where our products are sold to promote our Fazenda Ohua brand name. However, in the event that our ability to ensure customer loyalty to our brands and products is adversely affected, our customers may turn to our direct competitors or purchase substitute products. This will in turn result in a decrease in demand for our products. Any sustained decrease in demand for our products would have a material adverse impact on our businesses and financial performance.

4.1.12 Exposure to product liability claims

Pursuant to the General Principles of Civil Law of the PRC (the "PRC Civil Law"), a defective product which causes property damage or physical injury to any person may expose the manufacturer or vendor of such product to civil liability for such damage or injury.

In 1993, the PRC Civil Law was supplemented by the Product Quality Law of the PRC (which was revised in 2000) (the "Product Quality Law"), which was enacted to protect the legitimate rights and interests of end-users and consumers and to strengthen the supervision and control of the quality of products. Pursuant to the Product Quality Law, manufacturers who produce defective products may be subject to criminal liability and have their business licences revoked.

In 1993, the Law of the PRC on the Protection of the Rights and Interests of Consumers (the "Consumers' Protection Law") was promulgated which provides further protection of legal rights and interests to consumers in connection with the purchase or use of goods and services. At present, all business operations must observe and comply with the Consumers' Protection Law when they provide goods and/ or services.

In common with other consumer product manufacturers, our Group may be subject to product liability claims if our products are found to be unfit for consumption. Such occurrences may result in product recalls and serious damages our Group's reputation and brand.

Our Group may further incur legal liability and have to compensate our end-users for any loss or damage they may have suffered, particularly since our Group currently does not maintain any third party liability insurance to cover any claim in respect of any defect found in our wines. In the event that we are faced with any significant product liability claims or any other form of adverse event where we have insufficient insurance coverage, our businesses and financial performance may be materially and adversely affected.

As at the LPD, our Group has not been exposed to any product liability claims or subjected to any complaints, and investigation as a result of any damage incurred by the end consumers. However, there is also no assurance that our Group will not receive complaints or claims from end-users against our products, whether accidental or not. If this is the case, our Group's reputation, operations and profitability will be adversely affected.

4.1.13 Affected by intellectual property rights disputes

We have applied for the registration of our trademarks in the PRC. Effective enforcement of intellectual property rights is important for the protection of our interests as we consider the recognition of our trademarks to be vital in the sales of our products. Unauthorised use of our trademarks may damage the brand recognition and reputation of our Group. Notwithstanding that we have applied for the registration our trademarks, it may be possible for third parties to unlawfully pass-off their products as ours or to infringe our intellectual property rights in the design and/ or manufacture of their products even upon such registration. In the event that third parties infringe upon our intellectual property rights in respect of our trademarks by unlawfully passing off their products as our products, imitating or using our trademarks without authorisation from us, we may face considerable difficulties and costly litigation in order to fully protect these intellectual property rights, which may affect our reputation, businesses and financial performance.

In addition, there is no assurance that we can renew our intellectual properties upon their expiry. However, we may still be able to enforce our rights in such intellectual properties notwithstanding its registration expiry if it can be proven that such intellectual properties contain a reasonable degree of goodwill. In the event that we are unable to do so, our business and financial performance may be adversely affected.

Further, there is no assurance that our products do not and will not infringe other registered trademarks or intellectual property rights belonging to third parties. As such, we may be subject to legal proceedings and claims relating to such infringement. The occurrence of any claims or litigation involving infringement of the intellectual property rights of third parties, whether with or without merit, could result in a diversion of our management time and resources, and our business operations may be materially and adversely affected. In addition, any successful claim against us arising out of such proceedings could result in substantial monetary liability and will materially affect our reputation and the continued sale of the affected products and consequently, our financial performance.

4.1.14 Reliance on our Executive Directors and Officers

We attribute our success to the leadership and contributions of our management team comprising Executive Directors and key officers, in particular, to our Executive Chairman and CEO, Mr. Wang Chao.

Our continued success is therefore dependent to a large extent on our ability to retain our key management personnel, in particular Mr. Wang Chao, who is responsible for formulating and implementing growth, corporate development and overall business development and strategies. Our business is also dependent on our key Executives who are responsible for implementing our business plans and driving our growth. The demand for such experienced personnel is intense and the search for personnel with the relevant skills set can be time consuming. The loss of our key management personnel, especially Mr. Wang Chao, without suitable replacements will have an adverse and material effect on our business operations and hence, our revenue and profits.

However, we have taken appropriate measures such as providing adequate compensation, incentives, training and development programmes, as well as rewarding our employees for their contribution to our success. There can be no assurance that the loss of our Executive Directors and/ or key personnel will not have an adverse effect on our Group.

4.1.15 No assurance that our future plans will be commercially successful

We currently distribute our products mainly in Fujian, Guangdong, Beijing, Hebei, Shanghai, Zhejiang, Sichuan and Shandong Provinces. We intend to expand our business by, *inter alia*, increasing our products development capabilities and expansion of our product range and quality, as well as expanding our market presence and distribution channels in existing markets such as the aforementioned provinces, Jiangsu and Jiangxi provinces, as well as new markets in the provinces of, among others, Jilin, Liaoning, Hunan and etc.

Our expansion plans involve a number of risks, including but not limited to capital expenditures incurred in respect of the costs of increasing land cultivation area, setting up new product development facilities, costs of working capital tied up in inventories, increased marketing and promotional expenses as well as other working capital requirements. Whilst we may utilise significant resources in our business expansion plans, there is no assurance that we will be successful in increasing our market share or revenue through such business expansion. Any failure to do so may lead to a material adverse effect on our financial performance.

Further, to manage any future growth of our operations and personnel resulting from our business expansion, we will improve and effectively utilise our existing operational, management, marketing and financial systems and successfully recruit, hire, train and manage additional personnel. Our failure to manage our business expansion and growth may materially and adversely affect our business operations and financial performance.

4.1.16 Pending registration of trademark, we may be subject to claims of infringement of third parties' intellectual property rights

Our products are primarily marketed under the "Fazenda Ohua" label for our Fazenda Ohua Wines ("Fazenda Ohua Trademark") and various international labels for our International Wines ("International Trademarks") (collectively referred to as "Trademarks").

The Trademarks are presently pending registration at the PRC Trade Marks Registry. The original applicant of the Fazenda Ohua Trademark is YO Winery and the original applicant of the International trademark is Li Rong. We had, on 16 November 2009 respectively entered into a Trademark Transfer Agreement with YO Winery and a Trademark Application Right Transfer Agreement with Li Rong for the transfer of the proprietary rights in the Trademarks to us. However, as at the date of this Prospectus, the applications for registration of the Trademarks are currently pending and we can give no assurance that the Trademarks can be successfully registered by us. Pending registration of the Trademarks, YO Winery and Li Rong have respectively granted to Ouhua PRC the right to use the Trademarks.

The Fazenda Ohua Trademark in the PRC has been used by YO Winery since 1997 and subsequently by us since 2002 and the International Trademarks since 2008 and we have an established reputation in the PRC with regards to the Trademarks. We have also in the past not had any and are also not aware of any present infringement or passing off action in respect of any third party intellectual property rights regarding the use of the Trademarks.

However, given that the Trademarks have yet to be registered at the Trade Marks Registry, there can be no assurance that there will not be any claims, disputes or litigations made or threatened to be made against us in the future. Any claims, disputes or litigations involving infringement of third party intellectual property rights, whether with or without merits can be costly and may result in a diversion of our resources, adversely affect our reputation and/ or financial performance.

4.1.17 Registered marks may be affected by intellectual property rights disputes

The Trademark Transfer Agreement which we had entered into with YO Winery on 16 November 2009 as mentioned in Section 4.1.16 above, amongst others, provides for the transfer of three (3) "Fazenda Ouhua" trademarks ("Registered Marks"). These Registered Marks carry an additional "U" in the word "Ouhua" as compared to the "Fazenda Ohua" trademark discussed in Section 4.1.16 above.

Despite the protection of our Registered Marks under the relevant intellectual property laws of the PRC, such laws may not be adequate or effectively enforced against third parties who violate our proprietary rights by illegally using our trademarks or our brand name.

Policing unauthorized use of our trademarks or brand is difficult and costly. Any unauthorised use of our Trademarks and brand may damage the brand recognition and reputation of our Group. This may lead to a loss of sales revenue. Notwithstanding the above, our Group has not experienced any such unauthorised use in the past.

4.2 Risks relating to the PRC

4.2.1 Our business may be adversely affected by the reforming and uncertainty of the PRC legal system

Our business operations in the PRC are governed by the PRC legal system. The PRC legal system is a codified system comprising written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is developing at a faster pace than its legal system, some degree of uncertainty exists as to whether, and how, existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes.

Precedents on the interpretation, implementation and enforcement of PRC laws and regulations are currently limited and the decisions of the PRC courts do not bind the same in subsequent cases. As such we cannot predict to a reasonable degree of certainty the outcome of any disputes, which we may have with our customers and/ or suppliers. Even in cases where judgments are granted in our favour, we may be unable to enforce them if the other party does not have the means to satisfy the judgment. In the event that we fail to obtain judgment or are unable to enforce judgments, we may not be able to recover the judgment debt, which we would have otherwise been entitled to. In this way, our business, in particular, our profits may be affected.

4.2.2 Changes in the PRC governmental rules and regulations may have a significant impact on our business

Currently, our business and operations in PRC entail the procurement of licences and permits from the relevant authorities. Thus, our businesses and operations in PRC are subject to PRC government rules and regulations. From time to time, changes in the rules and regulations or the implementation thereof may require us to obtain additional approvals and licences from the PRC authorities for the conduct of our operations in PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business cost will increase.

There can be no assurance that such approvals or licences will be granted to us promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and businesses in the PRC, and hence our overall financial performance will be adversely affected.

4.2.3 Cessation of income tax exemptions and incentives for our subsidiary may have an impact on our net profit

Our subsidiary's effective tax rate for the six (6)-month FPE 30 June 2010, the FYE 31 December 2009, 2008 and 2007 is approximately 11.9%, 11.5%, 12.0% and -1.7%.

On 6 December 2002, Ouhua PRC was established as a sino-foreign joint venture enterprise. In accordance with the "Income Tax Law of the PRC applicable to Enterprises with Foreign Investment and Foreign Enterprises", the statutory income tax rate applicable to Ouhua PRC was at a preferential corporate tax rate of 24%, and exempted from the local income tax rate of 3%, as compared to the statutory tax rate for PRC companies of 33%. Ouhua PRC is further entitled to an exemption from Enterprise Income Tax ("EIT") for the first two (2) profitable years of operation (i.e. FYE 31 December 2006 and 2007) and thereafter a 50% reduction in EIT rate for the following three (3) financial years (i.e. FYE 31 December 2008 to 2010).

On 16 March 2007, the National People's Congress of the PRC promulgated the "Enterprise Income Tax Law of the PRC" ("EIT Law") which has come into effect since 1 January 2008. The aforesaid "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises" has been abolished by the newly promulgated EIT Law. The EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic–invested and foreign-invested enterprise of 25% and the cessation of local income tax. However, according to the EIT Law and the Notice on the Implementation of Enterprise Income Tax Transitional Preferential Policy, Ouhua PRC may continue to enjoy the remaining incentives.

In the event that the exemptions and incentives of the tax cease, net profits of our Group will be reduced by approximately 16%, 16%, 15% and 35% for the six (6)-month FPE 30 June 2010, the FYE 31 December 2009, 2008 and 2007 respectively.

Please refer to the "Appendix C–PRC Relevant Laws and Regulations" of this Prospectus for further details. Nonetheless, in addition to the changes above, there is no assurance that there will not be further change to laws relating to taxation which may result in the removal, loss, suspension or reduction of the above tax benefits or tax relief which will in turn have an adverse impact on our Group's profitability.

4.2.4 PRC foreign exchange control may limit our ability to utilise our revenue effectively and affect our ability to receive dividends and other payments from Ouhua PRC

Our 95% owned subsidiary, Ouhua PRC, is subject to the PRC rules and regulations on currency conversion. In the PRC, the State Administration for Foreign Exchange ("SAFE") regulates the conversion of the RMB into foreign currencies. Currently, Foreign Investment Enterprises ("FIEs") are required to apply to SAFE for "Foreign Exchange Registration Certificates for FIEs". With such registration certifications (which need to be examined annually), FIEs are allowed to open foreign currency accounts including the "current account" and "capital account". Currently, conversion within the scope of the "current account" (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the "capital account" (e.g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE.

However, there is no assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the RMB. As all our revenue is derived from Ouhua PRC and these revenues are mainly denominated in RMB, any future restriction on currency exchanges may limit the ability of Ouhua PRC to repatriate such revenues to our Company in the form of dividend income or otherwise.

Further, as our Company is an investment holding company with no business operations, in the absence of such dividend income from Ouhua PRC, our Company will not be able to distribute dividends to shareholders even if our Group, on a consolidated basis, is profitable.

4.2.5 Foreign exchange rate fluctuations

The value of the RMB against foreign currency is subject to changes in the PRC government's policies and international economic and political developments. Under the unified floating exchange rate system, the conversion of RMB into foreign currencies has been based on rates set by the People's Bank of China, which have generally been stable.

However, the PRC government reformed the exchange rate regime on 21 July 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 23 September 2006, the PRC government widened the daily trading band for RMB against non-USD currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries for PRC to adopt a more flexible currency system that could lead to further appreciation of the RMB. The RMB may be revalued further against foreign currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against foreign currencies.

Since our revenues and profit are denominated in RMB, any depreciation of RMB would materially and adversely affect our financial position and the value of, and any dividends payable on, our Shares in foreign currency terms, as well as our ability to service any of our foreign currency obligations. Also, any appreciation of RMB may result in funds raised by our Company in RM, when converted into RMB, being less than that required by our Group.

4.2.6 Holding company that relies heavily on dividend payment from our subsidiary for funding

Our Company is a holding company incorporated in Singapore. We operate our business primarily through our subsidiary in the PRC. Therefore, the availability of funds to enable us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from our subsidiary. If our subsidiary incur indebtedness or losses, such indebtedness or losses may impair its ability to pay dividends or other distributions to us.

4. RISK FACTORS (CONT'D)

As a result, our ability to pay dividends and to service our indebtedness will be restricted. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions. PRC laws also require sino-foreign joint venture enterprise incorporated in PRC to set aside part of their net profit as reserve at the discretion of the board of directors; whilst wholly foreign owned enterprises are required to set aside at least 10% of their net profit each year to fund the designated statutory reserve until such reserve fund reaches 50% of their registered capitals. Ouhua PRC will become a wholly foreign owned enterprise upon our acquisition of the remaining 5% equity interest held by YO Winery pursuant to the call option agreement entered into between YO Winery, Ouhua PRC and our Company on 27 November 2009. These statutory reserves are not available for distribution as cash dividends. As at the FPE 30 June 2010, Ouhua PRC had reserve funds of approximately RMB22.0 million, representing approximately 35.5% of Ouhua PRC's registered capital of USD9.0 million.

In addition, restrictive covenants in bank credit facilities or other agreements that our subsidiary may enter into in the future may also restrict the ability of our subsidiary to make contributions to us and hence, our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major course of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

4.2.7 Enforceability of shareholder rights

Our Group's operations and assets are mainly located in the PRC. Therefore, our Group is subject to the relevant laws and regulations of the PRC. The Act may provide shareholders with certain rights and protection that may not have corresponding or similar provisions under the laws and regulations of the PRC. As such, shareholders may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Act.

Currently, save for our Group's Chief Financial Officer, all our Executive Directors and key management are non-residents of Malaysia, and the assets of these persons are mainly located outside Malaysia. As such, shareholders may encounter difficulties in effecting service of process in Malaysia, or to enforce a judgement obtained in Malaysia against any of these persons.

4.3 Risks relating to our Company being incorporated in Singapore

4.3.1 Rights and protection accorded to our shareholders may be different from those applicable to shareholders of a Malaysian incorporated company

We are incorporated in Singapore under the Singapore Companies Act. The Act may provide shareholders of Malaysian incorporated company rights and protection for which there may be no corresponding or similar provisions under the Singapore Companies Act. As such, if you invest in our Shares, you may or may not be accorded the same level of shareholder rights and protection that a shareholder of a Malaysian incorporated company may be accorded under the Act.

We have set out a summary of Singapore Laws and Regulations in Appendix A of this Prospectus and a summary comparison of Singapore Companies Law and Malaysian Companies Law in Appendix B of this Prospectus. Each of the summaries is not intended to be and does not constitute legal advice. If you wish to have advice on the differences between the Singapore Companies Act and the Act and/ or the laws of any jurisdiction with which you are not familiar with, you are recommended to seek independent legal advice.

4.3.2 Changes in laws and regulations affecting our Company's Shares

Our Articles were amended to comply with Central Depositories Act, rules of Bursa Depository and other relevant laws, rules and regulations in Malaysia where applicable to our Company to facilitate our Listing on Bursa Securities. In the event of any changes to such laws, rules and regulations governing our Company in connection with its listing on Bursa Securities, our Articles may have to be amended to ensure continued compliance with the relevant laws, rules and regulations to facilitate our continued listing on Bursa Securities. We will endeavour to take all reasonable steps to ensure such compliance including amending our Articles (subject to such amendments not contravening the laws of Singapore).

However, there can be no assurance that we will be able to succeed in amending our Articles in a timely manner or that we will be able to obtain the approval of our shareholders at our general meeting for such amendments. In the event we are not able to or be successful in amending our Articles to comply with changes to such laws, rules and regulations governing our Company for our listing on Bursa Securities, our Company may be subject to fines, penalties, reprimands and other liabilities and our Shares may potentially be suspended and/ or de-listed from Bursa Securities.

4.4 Risks relating to Investment into our Shares

4.4.1 No prior public market for our Shares and possible volatility of our share prices

Prior to this Public Issue, there has been no public market for our Shares. There is no assurance that upon listing, an active market in our Shares will develop, or, if developed, that such market will be sustained. The IPO Price was determined through our negotiation with OSK, as our Adviser and Underwriter, after taking into account various factors.

There can be no assurance that the market price of our Shares will not decline below the IPO Price. Our Group believes that a number of factors could cause our Share price to fluctuate, including but not limited to sales of substantial amounts of our Shares in the public market in the immediate future, announcements of developments relating to our Group's business, fluctuations in our Group's operating results, general industry conditions or the performance of the global economy.

4.4.2 Trading price and volume of our Shares

The trading prices and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our quoted Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

4.4.3 Future sale of our Shares by our controlling shareholder may adversely affect our Share prices

Any future sale or availability of our Shares by our controlling shareholder can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the IPO, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Save for the moratorium imposed on our controlling shareholder, there will be no restrictions imposed on our controlling shareholder to dispose of his shareholdings.

4.4.4 Ownership and control by our existing shareholders

Upon our Listing, our Promoter, namely Hua Xin, will hold an aggregate of 340,000,000 Ouhua Shares, representing 50.9% of our enlarged issued and paid-up share capital. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the voting of our shareholders unless our Promoter is required to abstain from voting by law and/ or by the relevant guidelines or regulations.

Nevertheless, as a step towards good corporate governance, we have appointed three (3) Independent Directors and set up an Audit Committee to ensure that, *inter alia*, all future transactions involving related parties, if any, are entered into on an arm's length basis, or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority shareholders.

4.4.5 Future fundraising may dilute shareholders equity or restrict our operations

We may require additional funding for our future growth. This may result in dilution of our shareholders' equity, or restrictions imposed by additional debt funding.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. An issue of Shares or other securities to raise funds will dilute shareholders' equity interest and may, in the case of a rights issue, require additional investments by shareholders.

4.4.6 Payment of dividend is not assured

We conduct all our operations through our subsidiary. Accordingly, our main source of income and consequently an important factor in our ability to pay dividends on our Shares are the receipt of dividends and other distributions by us from our subsidiary. Our ability to pay dividends or make other distributions to our shareholders may also be subject to restrictions contained in our existing and/ or future loan agreements, the future financial performance and cash flow position of our Group and to us having profits and sufficient funds which are above our requirements to fund our operations, other obligations or business plans.

There is no assurance that our Company will be able to distribute dividends to our shareholders as a result of the abovementioned factors. There is also no assurance that we will be able to record profits and have sufficient funds for our funding requirements, other obligations and business plans to declare dividends to our shareholders.

4.4.7 Capital restrictions on funds raised in Malaysia

Funds raised from any future fundraising exercises may be subject to capital-control regulations that restrict the outflow of funds raised in Malaysia. Consequently, our ability to use proceeds from future fundraising exercises may be impeded. Any delays or restrictions on repatriation of our IPO proceeds and/ or any funds from future fundraising exercises in Malaysia may materially affect the implementation of our future expansion plans and our ability to effectively raise funds in Malaysia in the future. In turn, our future business growth and financial performance may be materially affected.

4.4.8 Delay between admission and trading of the IPO Shares

After we have allocated and allotted our Shares to your CDS account with Bursa Depository, which would occur at least two (2) clear Market Days before the anticipated date for admission, it may not be possible for you to immediately recover monies paid in respect of the IPO Shares from us in the event that our admission and commencement of trading on the Main Market of Bursa Securities do not occur. Delays in the admission and commencement of trading in shares on the Main Market of Bursa Securities have occurred in the past. In order for us to return the monies to you in respect of the IPO Shares following the allocation in Bursa Depository, a reduction of our Company's capital would be necessary. This would require the sanction of our shareholders by special resolution at a general meeting and the confirmation of the capital reduction by the High Court of Malaya.

There can be no assurance that monies can be recovered within a short period of time. If such monies are not repaid within 14 days after we become liable to repay it, the provision of subsection 243(2) of the CMSA shall apply accordingly.

4.4.9 Failure/ delay in our listing

The success of our Listing is also exposed to the risk that it may fail or be delayed due to any of the following reasons, amongst others:-

i. The placees under the private placement tranche of the Public Issue fail to acquire the IPO Shares allocated to them;

ii. Our Underwriter exercising their rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder;

iii. We are unable to meet the public shareholding spread requirements i.e. at least 25% of the total number of our Shares for which Listing is sought must be held by minimum number of 1,000 public shareholders holding not less than 100 Shares each, at the time of Listing; and/ or

iv. Any force majeure event(s), which are beyond our control before our Listing.

The above risks are mitigated by the following:-

i. The identified investors have provided irrevocable undertakings to subscribe for their respective portion of the IPO Shares to be placed to them; and

ii. Our Directors and OSK, as the Adviser, will endeavour to ensure that our Group is able to meet public spread requirements by allocating the IPO Shares applied for by the Malaysian Public to the required number of public shareholders during the balloting process. The IPO Shares allocated to the Malaysian Public are fully underwritten.

4.4.10 Political, economic and regulatory risk

Our financial and business prospects and the industry, in which we operate in, will depend to some degree on the developments in the political and regulatory front in PRC. Amongst the political, economic and regulatory factors are changes in inflation rates, interest rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in the governments' policies such as licensing regulation.

We will continue to adopt effective measures such as prudent management and efficient operating procedures to mitigate these factors. However, there can be no assurance that adverse economic, political and regulatory changes will not materially affect our Group's business.

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5. INFORMATION ON OUR GROUP

5.1 Our History and Background

We were incorporated in Singapore under the Singapore Companies Act on 12 January 2009 as a private limited company under the name of China Ouhua Winery Holdings Pte Ltd. On 30 October 2009, our Company was registered in Malaysia as a foreign company. We were subsequently converted into a public limited company on 24 November 2009 and assumed our present name. On 1 December 2009, our Malaysian registered foreign company has notified the ROC on the change of our name to China Ouhua Winery Holdings Limited. We were incorporated and commenced business as an investment holding company to facilitate our Listing.

Presently, we have two (2) registered offices, one located in Singapore as required under Section 142 of the Singapore Companies Act and the other located in Malaysia as required under Section 333 (1) of the Act. The addresses of our registered office are set out in Section 1 of this Prospectus. The register of Directors and the register of members of our Company are kept at our registered office in Singapore as required under Section 191 of Singapore Companies Act while certified or duplicate copies are maintained at our registered office of the foreign company in Malaysia.

We had undertaken a Restructuring Exercise prior to our Listing, details of which are set out in Section 5.5 of this Prospectus. Ouhua PRC became our 95% owned subsidiary pursuant to the Restructuring Exercise. Through Ouhua PRC, we are involved in the business activities as follow:-

- Production and distribution of our local Fazenda Ohua Wines produced from locally sourced wine materials and grapes including grapes from our vineyards;
- Production and distribution of our International Wines which are sourced from various wine growing regions outside the PRC such as France, Australia, Spain, Chile and Germany through local PRC wine material traders;
- Development of our Fazenda Ohua Wines and International Wines and the marketing of these wines throughout PRC;
- R&D for new and diverse offerings of wine; and
- Product design, product packaging and branding.

Our history can be traced back to 1997 with the incorporation of YO Winery which was principally involved in the production and sales of wines. YO Winery had subsequently ceased operation in 2002. Thereafter, Ouhua PRC was established as a sino-foreign joint venture enterprise following the joint venture arrangement entered into between YO Winery and Hualian in 2002 to carry out business of production and distribution of wines. Since then, the business of Ouhua PRC grew rapidly over the years to become a reputable wine producer and distributor in PRC.

Mr. Wang Chao is the founder, Executive Chairman and CEO of our Group. Since commencement of the wine making operations of YO Winery in 1997, Mr. Wang Chao has been instrumental in the growth and development of our Group and has played a pivotal role in steering the success of our Group in the wine industry in PRC. With more than 12 years of business experience in the wine industry coupled with his experience in the finance industry prior to his entry into the wine industry, Mr. Wang Chao has successfully led our Group to become a well-recognised name in the wine industry in the PRC. Furthermore, our Group's success is also attributed to Mr Wang's ability to conceptualise and implement various business organisation plans and marketing strategies.

For the past three (3) years preceding the date of this Prospectus, we have invested approximately RMB70.4 million in capital expenditure in our wine making operations. These capital expenditures were invested in our vineyards, plants and machineries.

5.2 Share Capital and Changes in Share Capital

As at the LPD, we have an issued and paid-up share capital of SGD5,500,100 comprising 535,450,000 Ouhua Shares. We do not have any authorised share capital and par value as the concept of authorised share capital and par value has been abolished in Singapore since 31 January 2006. Upon completion of the Public Issue, our enlarged issued and paid-up share capital will be increased to approximately SGD38,065,574 (after netting off the estimated expenses of RM3,766,425) comprising 668,000,000 Ouhua Shares.

The details of changes in our issued and paid-up share capital since the date of our incorporation are as follows:-

Date of allotment	No. of Ouhua Shares	Consideration	Cumulative issued and paid-up share capital SGD	RM
12.01.2009	1	Cash	1	-*1
23.03.2009	99	Cash	100	233
28.11.2009	500,000,000	Subdivision of 100 Shares to 500,000,000 Shares	100	233
20.09.2010	35,450,000	Issuance of Shares pursuant to conversion of convertible notes	5,500,100*2	12,795,983

Notes:-

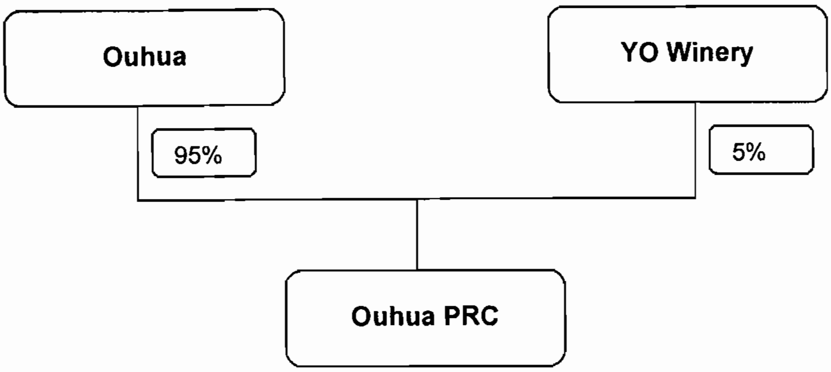
*1 *Negligible*

*2 *The conversion of the SGD5.5 million into Ouhua Shares is based on the amount invested by the Pre-IPO Investors excludes fair value adjustment to the embedded derivative component as well as the translation of difference and accretion of interest for the liability component*

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

5.3 Group Structure

As at the LPD, our corporate structure is as follow:-



Our subsidiary and its principal activities are set out below:-

Subsidiary	Date and place of incorporation	Registered capital USD	Proportion of equity interest %	Principal activities
Ouhua PRC	06.12.2002 PRC	9,000,000	95	Production of varieties of wine and sales of its self produced wine

The existing shareholding structure of Ouhua PRC has already been established when it was clear that Ouhua may directly acquire the remaining equity interests owned by YO Winery despite the relevant restriction in the new Merger and Acquisitions rules promulgated in September 2006.

In order to convert Ouhua PRC into a wholly foreign owned enterprise (i.e. 100% interests held by us), Mr. Wang Chao, the major shareholder of our Company, would have to finance such acquisition through us by obtaining additional investment monies from Pre-IPO Investors. However, Mr. Wang Chao is not prepared to do so because such financing exercise would give rise to further dilution of his existing shareholding interests in our Company.

However, we have on 27 November 2009, entered into an call option agreement with YO Winery and Ouhua PRC to acquire the remaining 5% equity interest of Ouhua PRC held by YO Winery at a purchase consideration to be determined later by an independent valuer to be appointed by us subsequent to our Listing, subject to terms and conditions of the call option agreement. The call option is for a period of two (2) years commencing from the date of our Listing.

The salient terms of the call option agreement entered into between Ouhua, YO Winery, and Ouhua ("Parties") are set out below:-

1. GRANT OF CALL OPTION

1.1 In consideration of the sum of Singapore Dollars One Only (SGD1.00) paid by Ouhua to YO Winery on the signing of the Call Option Agreement (the receipt, sufficiency and adequacy of which YO Winery hereby acknowledges), YO Winery irrevocably grants Ouhua the right at any time during the Call Option Period to require YO Winery to sell to Ouhua all (and not some only) of the Call Option Equity Interests at the Call Option Price (the "Call Option").

1.2 Subject to and conditional upon the fulfilment of the Call Option Pre-Conditions, the Call Option shall be exercisable by Ouhua at any time during the Call Option Period by Ouhua giving notice in writing (the "Exercise Notice") in the form set out in the Call Option Agreement to YO Winery.

1.3 Upon the exercise by Ouhua of the Call Option, YO Winery shall sell to Ouhua, and Ouhua shall purchase from YO Winery, the Call Option Equity Interests comprised in the Call Option, free from encumbrances, at the Call Option Price.

1.4 Within seven (7) Business Days of exercise by Ouhua of a Call Option, Ouhua shall engage an Independent Valuer to value the Call Option Equity Interests comprised in such Call Option. Ouhua and YO Winery shall accept such valuation ("Valuation") of such Call Option Equity Interests as determined by the Independent Valuer to be final and conclusive of the Call Option Price of such Call Option Equity Interests, and Ouhua shall give notice in writing ("Valuation Notice") of such Valuation to YO Winery in the form set out in the Call Option Agreement within one (1) Business Day of Ouhua's receipt of the valuation report of such Call Option Equity Interests ("Valuation Report") from the Independent Valuer.

1.5 The Call Option shall, unless exercised, lapse and cease to have any further effect on the expiry of the Call Option Period.

1.6 Within three (3) Business Days of the delivery of Valuation Notice, the Parties shall enter into an equity interest transfer agreement ("Transfer Agreement") in relation to the transfer of ownership of such Call Option Equity Interests comprised in the Call Option and pursuant to the provisions as set out in this Agreement, the Exercise Notice and the applicable PRC laws and regulations.

"Business Days" means any day other than Saturday, Sunday or a public holiday in Singapore or the PRC;

"Call Option Equity Interests" in respect of YO Winery or the Call Option granted by YO Winery pursuant to this Agreement, means the 5% equity interests of Ouhua held by YO Winery .

"Call Option Period" means the period commencing from the date of listing of Ouhua on the Main Market of the Bursa Malaysia Securities Berhad and expiring on the fifth anniversary of such listing.

"Call Option Price" in respect of the Call Option Equity Interests comprised in any Call Option, means the value of such Call Option Equity Interests as determined by the Independent Valuer (as defined below) pursuant sub-clause 1.4 above);

"Independent Valuer" means a valuer as may be proposed by Ouhua and approved by the audit committee of Ouhua holding office at the time when the valuer is to be engaged by Ouhua pursuant to sub-Clause 1.4 above);

"Call Option Pre-Conditions" means:-

(i) the listing of Ouhua on the Main Market of the Bursa Securities and

(ii) the obtaining by the parties of such regulatory or other approvals or consents (if any) as Ouhua may consider necessary to be obtained for purposes of the transactions contemplated under this Agreement and as notified by Ouhua to YO Winery.

2. COMPLETION

2.1 The completion ("Completion") of the sale and purchase of any Call Option Equity Interests pursuant to the exercise of the Call Option in respect of such Call Option Equity Interests shall take place on the Completion Date, when the following transactions shall simultaneously transact:-

(a) Ouhua PRC shall deliver to Ouhua the following:-

(i) an investment certificate in respect of the entire equity interests in Ouhua duly executed by Ouhua under the name of Ouhua; and

(ii) a copy of the approval certificate issued by Shandong government in relation to the transfer of the Call Option Equity Interests and the amended business licence of Ouhua and such other documents as may be reasonably required to give good title to the Call Option Equity Interests to Ouhua.

(b) Ouhua shall against receipt of the documents referred to in sub-Clause 3.1(a) (para 2.1(a) above) effect payment of the Call Option Price in respect of the Call Option Equity Interests, by one of the following modes of payment (or such other mode of payment as Ouhua and YO Winery may agree in writing):-

(i) by way of telegraphic transfer to such YO Winery's account as notified by such YO Winery to Ouhua in writing prior to Completion; or

(ii) a cashier's order or banker's draft drawn on a bank licensed in the PRC and made out in favour of such YO Winery.

2.2 Without prejudice to any other remedies available, if in any respect the provisions of sub-Clause 3.1 (para 2.1 above) are not complied with by the relevant Parties on the Completion Date, the Party not in default may:-

(a) defer Completion to a date not more than seven (7) days after the Completion Date (and so that the provisions of this clause shall apply to Completion as so deferred); and

(b) effect Completion so far as practicable having regard to the defaults which have occurred (without prejudice to their rights hereunder).

3. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the PRC and the Parties agree to submit to the non-exclusive jurisdiction of the courts thereof.

5.4 Subsidiary Company

Ouhua PRC was established in Yantai City located at the Shandong Province, PRC on 6 December 2002 as sino-foreign joint venture enterprise under the PRC laws governing establishment of equity joint venture enterprises. Ouhua PRC is principally involved in the production of wine and the sale of its self produced wine. Ouhua PRC commenced business in December 2002. Ouhua PRC is not listed on any stock exchange.

As at the LPD, the registered capital of Ouhua PRC is USD9,000,000, of which USD9,000,000 have been fully contributed.

The details of the changes in the contribution of the registered capital of Ouhua PRC since its incorporation are set out below:-

Date of contribution	**Amount of contribution USD**	**Cumulative contribution to registered capital USD**
10.06.2003	600,000	600,000
27.09.2009	1,738,496	2,338,496
20.10.2009	1,966,368	4,304,864
30.06.2010	2,340,000	6,644,864
29.07.2010	2,355,136	9,000,000

As at the LPD, Ouhua PRC does not have any outstanding warrants, options, convertible securities or uncalled capital. In addition, Ouhua PRC does not have any subsidiaries or associate companies as at the LPD.

Pursuant to the capital increase agreement entered into between Ouhua and YO Winery on 16 March 2009, we shall contribute an additional USD8.4 million to the registered capital of Ouhua PRC. As at the LPD, we have fully contributed USD8.4 million to the registered capital of Ouhua PRC.

Prior to the capital increase agreement, the registered capital of Ouhua PRC was USD0.6 million, where 25% (USD0.15 million) was held by Hualian and the remaining 75% (USD0.45 million) was held by YO Winery.

As part of the Restructuring Exercise, we had acquired the 25% equity interest of Ouhua PRC from Hualian and increased our shareholding in Ouhua PRC to 95% through proportionate increase in contribution to registered share capital of Ouhua PRC (while YO Winery maintains its USD0.45 million stake or 5% of the enlarged registered share capital). Accordingly, the USD8.4 million was arrived at based on the targeted 95% shareholding stake to be held by us.

5.5 Restructuring and Listing Scheme

In conjunction with, and as an integral part of our Listing, we have undertaken a Restructuring Exercise prior to the Listing, details of which are set out below:-

5.5.1 Restructuring Exercises

Prior to the Restructuring Exercise, Ouhua PRC was 25% owned by Hualian and the remaining 75% owned by YO Winery. Our founder, Executive Chairman and CEO, Mr. Wang Chao, was the ultimate beneficial owner of Ouhua PRC, holdings his interest therein through Hualian and YO Winery.

The Restructuring Exercise involved the following:-

5.5.1.1 Incorporation of our Company in Singapore

Ouhua was incorporated in Singapore under the Singapore Companies Act on 12 January 2009 with an initial issued and paid up capital of SGD1 comprising one (1) Ouhua Share which was subsequently increased to SGD100 comprising of 100 Ouhua Shares by way of creation of an additional 99 Ouhua Shares, which were allotted and issued for cash to our Promoter, Hua Xin.

5.5.1.2 Acquisition of Ouhua PRC

On 13 March 2009, our Company entered into an equity transfer agreement to acquire from Hualian 25% equity interest in Ouhua PRC ("Equity Transfer Agreement") for a purchase consideration of approximately RMB1.0 million ("Acquisition Consideration").

Pursuant to a notice of assignment dated 18 November 2009, Hualian confirmed that on completion as at 27 September 2009, Hualian had assigned all of its rights to the Acquisition Consideration under the Equity Transfer Agreement to Mr. Wang Chao, and confirmed that it had no further claim against our Company under the Equity Transfer Agreement for the Acquisition Consideration.

Pursuant to a deed of release and discharge dated 20 November 2009 entered into between Mr. Wang Chao and our Company (the "Deed of Release and Discharge"), Mr. Wang Chao confirmed that as at 27 September 2009, he had unconditionally discharged and released our Company from all obligations under the Equity Transfer Agreement to pay the Acquisition Consideration to him, and thereby unconditionally and irrevocably waived all of his rights whatsoever in relation thereto.

5.5.1.3 Capital injection into Ouhua PRC

Pursuant to the capital increase agreement dated 16 March 2009 entered into between our Company and YO Winery, we shall invest an aggregate sum of USD8.4 million in cash into Ouhua PRC for an additional 70% equity interests in Ouhua PRC ("Capital Injection").

As at the LPD, we have fully contributed USD8.4 million to the registered capital of Ouhua PRC.

Subsequent to the acquisition of Ouhua PRC and Capital Injection, we are the legal and beneficial owner of 95% of the registered capital of Ouhua PRC with YO Winery holding the remaining 5% registered capital of Ouhua PRC.

5.5.1.4 Disposal of Ouhua Shares by our Promoter

i. Pursuant to a share sale and purchase agreement dated 4 May 2009 entered into between Soleil, Hua Xin and Mr. Wang Chao, 11 Ouhua Shares representing 11% of the issued and paid-up share capital of our Company were transferred by Hua Xin to Soleil for a total disposal consideration of approximately SGD4.0 million;

ii. Pursuant to an instrument of transfer dated 19 June 2009 entered into between Primeforth and Hua Xin, nine (9) Ouhua Shares representing 9% of the issued and paid-up share capital of our Company were transferred by Hua Xin to Primeforth for a total disposal consideration of approximately SGD3.3 million; and

iii. Pursuant to an instrument of transfer dated 19 June 2009 entered into between HK Yin Kang and Hua Xin, 12 Ouhua Shares representing 12% of the issued and paid-up share capital of our Company were transferred by Hua Xin to HK Yin Kang for a total disposal consideration of approximately SGD4.4 million.

5.5.1.5 Share split of Ouhua Shares

On 28 November 2009, our Company implemented a share split of 100 Ouhua Shares to 500,000,000 Ouhua Shares by sub-dividing one (1) Ouhua Share into 5,000,000 Ouhua Shares.

5.5.1.6 Disposal of Ouhua Shares by Substantial Shareholder

Pursuant to a share sale and purchase agreement entered into between Primeforth and Accion, 16,000,000 Ouhua Shares representing 3.2% of the issued and paid-up share capital of our Company of 500,000,000 Ouhua Shares were transferred by Primeforth to Accion for a total disposal consideration of approximately SGD3.9 million. The transfer was approved by the SC on 30 August 2010.

5.5.1.7 Conversion of convertible notes

On 23 September 2009, our Company has entered into a note purchase agreement with Convertible Notes Holders (collectively referred to as "Pre-IPO Investors"). Pursuant to the conversion of the promissory note on 20 September 2010, the Pre-IPO Investors had acquired an aggregate 35,450,000 new Ouhua Shares, representing approximately 6.6% of the enlarged issue and paid-up share capital of our Company of 535,450,000 Ouhua Shares prior to the Public Issue, for an aggregate purchase consideration of SGD5.5 million.

5.5.2 Listing Scheme

Subsequent to our Restructuring Exercises and in conjunction with our Listing, we will undertake the following:-

5.5.2.1 Public Issue

We will undertake a public issue of 132,550,000 new Ouhua Shares, representing approximately 19.8% of our enlarged issued and paid-up share capital, at an IPO Price of RM0.60 per IPO Share to be allocated in the following manner:-

i. 8,000,000 IPO Shares will be made available for application by the Malaysian Public; and

ii. 124,550,000 IPO Shares will be made available for application by way of placement to identified investors.

The IPO Shares will rank *pari passu* in all aspects with our existing Ouhua Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from SGD5,500,100 comprising 535,450,000 Ouhua Shares to SGD38,065,574 (after netting off the estimated listing expenses of RM3,766,425) comprising 668,000,000 Ouhua Shares.

5.5.2.2 Listing

Upon completion of the Public Issue, our Company shall be admitted to the Official List and our entire enlarged issued and paid-up share capital comprising 668,000,000 Ouhua Shares shall be listed and quoted on the Main Market of Bursa Securities. We will be listing based on profit track record test.

5.6 Key Achievements, Milestones and Awards

5.6.1 Achievements and Milestones

The followings are some of the major achievements and milestones of our Group:-

Year	Milestones and Achievements
1997	Founded YO Winery, principal business activities being wine production and sales
1999	Acquired a bottling production line from KRONES Co. of Germany with a capacity of filling 4,000 bottles an hour, thus achieving a production capacity of 4,000 tonnes
2002	Ouhua PRC was established as a sino-foreign joint venture company between YO Winery and Hualian
2002	Obtained customs registration certificate for import and export of commodities which gives Ouhua PRC the right to import and export directly
2003	Imported an automatic bottling production line from FIMER Co. of Italy with a bottling capacity of 8,000 bottles per hour, and also a scraper fast-freezing machine, diatomite filter machine, plate and frame filter machine and other similar equipment
2003	Obtained National Industrial Products Manufacturer Certificate which allows production of grape wines and other fruit wines
2003	Increased production capacity of up to 7,000 tonnes by increasing the number of stainless steel tanks and also the number of barrels to 1,200 US oak produced barrels
2005	Obtained the PRC Protection of Geographical Indication Products status (meaning considered a protected China product)
2006	Built our own vineyards through the lease of 5,500 Mu (equivalent to approximately 3.67 million Sq m) of land in Yantai-Penglai City, and cultivating approximately 4,992 Mu (equivalent to approximately 3.33 million Sq m) of vineyards, ensuring high quality grape source for the Company's wine production
2006	Awarded the title of Abiding by Contracts and Keeping Promises Enterprise by the Shandong Creditable Enterprise Association and Shandong Industry and Commerce Administration Department
2006	Awarded the title of Abiding by Contracts and Keeping Promises Enterprise by the Yantai City Creditable Enterprise Association and the Yantai City Industry and Commerce Administration Department
2008	Won 2nd prize in the National Wine Sampling and Quality Assessment Activities

Year	Milestones and Achievements
2008	Undertook a comprehensive review of our products where our products were repackaged and more than 120 varieties of new products were introduced. The new product packaging concept which aimed to place our products in line with international standards, in turn enhanced our products' appeal and allowed us to increase our market competitiveness
2008	The National Wine Quality Supervision and Inspection Center granted Ouhua PRC the Certificate of Compliance with the National Wine Production Standard GB15037-2006
2008	Embarked on plans to establish Fazenda Ohua specialty stores via distributors throughout the PRC. Our Fujian provincial distributor subsequently set up five (5) Fazenda Ohua specialty stores in the Fujian Province as a pilot project
2008	Obtained the Yantai City Food Industry Recommended Product award
2008	Obtained Shandong Province Consumer Satisfaction Unit award
2009	Initiated a nationwide expansion plan to expand our distribution network through the Fazenda Ohua specialty stores operated and owned by the distributors in the major provinces of PRC. By the end of 2009, the distributors had successfully established approximately 53 Fazenda Ohua specialty stores, in 12 different provinces and cities
2009	Obtained Yantai City Consumer Satisfaction Unit award
2009	Obtained Yantai City Food Industry Excellent Quality Brand award
2010	Obtained Shandong Province Consumer Satisfaction Unit award

5.6.2 Awards

Our commitment to excellence is evidenced by the numerous awards and certifications which we have received to-date. We set out below a selection of the awards, accolades and accreditations which we have received:-

Year	Award/ Certification	Awarding Body
2005	The PRC Protection of Geographic Indication Products	Yantai Bureau of Quality and Technical Supervision
2006	Abiding by Contracts and Keeping Promises Enterprise	Shandong Creditable Enterprise Association and Shandong Industry and Commerce Administration Department

Year	Award/ Certification	Awarding Body
2007	Abiding by Contracts and Keeping Promises Enterprise	Yantai City Creditable Enterprise Association and Yantai City Industry and Commerce Administration Department
2008	Yantai City Food Industry Recommended Product	Yantai City Food Industry Association
2008	2nd Prize in the National Wine Sampling and Quality Assessment Activities	National Wine Quality Supervision and Inspection Center
2008	Certificate of Compliance with the National Wine Production Standard GB15037-2006	National Wine Quality Supervision and Inspection Center
2008	Shandong Province Consumer Satisfaction Place Unit Award	Shandong Province Consumer Satisfaction Unit, Seventh Assessment Committee (part of Bureau of Industry and Commerce)
2009	Yantai City Consumer Satisfaction Unit Award	Yantai City Consumer Satisfaction Unit, Seventh Assessment Committee (part of Bureau of Industry and Commerce)
2009	Yantai City Food Industry Excellent Quality Brand	Yantai City Food Industry Association
2010	Shandong Province Consumer Satisfaction Unit Award	Shandong Province Consumer Satisfaction Unit, Eighth Assessment Committee (part of Bureau of Industry and Commerce)

Our Group has not been accredited with ISO certification. However, this is not expected to affect our marketability of our products as we have received other awards and certifications.

Despite that our Group does not view the ISO certification as critical to our operations or marketing efforts, we intend to apply and are in the process of preparing our Group for the application.

6. BUSINESS OVERVIEW

6.1 Business Model

6.1.1 Business Focus

We are one of the producers and distributors of quality grape wines in the PRC, with a portfolio that includes well-recognised proprietary wine labels distributed with approximately 3,100 point-of-sales across the PRC. Our business operations span across the entire value chain of the wine industry, from the cultivation of vineyards and production of wines to the strategic management of distribution networks for our wine labels, adding value at each stage of the value chain. Our Group sold approximately 7,700 tonnes of wines throughout the PRC in 2009.

We produce red and white wines which we distribute for sale under our flagship Fazenda Ohua Wine labels. We also distribute red and white wines produced from wine of French, Australian, Spanish, Chilean and German origins under our International Wine labels, which include "Prinator", "Stourier", "Mondeke Castle", "Mecod Valley", "Reinnadberg", "Bullock Vineyard", "Avillar", "Kass Valley", "Aiblleon Vineyard" and "Chateau Gaussnar". As at the LPD, we offer approximately 87 and 60 varieties of wine under our local Fazenda Ohua Wine labels and International Wine labels respectively. Our multiple label and product strategy serves to broaden our consumer base and revenue streams.

Our wines are primarily distributed for sale within the PRC through our appointed master distributors, who in turn distribute these wines to end consumers via an extensive retail network of Fazenda Ohua specialty stores, which are managed by experienced and knowledgeable service staff trained by our in-house winemaker. Other distribution channels include direct sales to retail intermediaries such as hypermarkets, retail outlets and third party specialty stores that sell alcohol as well as food & beverage establishments such as restaurants, hotels and entertainment outlets.

As at the LPD, our distribution network encompasses 13 appointed master distributors, 113 Fazenda Ohua specialty stores (including nine (9) Ohua Château type stores and 104 Ohua Manor type stores that operated and owned by these appointed master distributors and sub-distributors) and our wines are, to the best of our Directors' knowledge, retailed at approximately 3,100 point-of-sales spanning no less than 13 provinces and cities throughout the PRC.

Our wine estate comprising our winery and vineyards is situated in Yantai City, Shandong Province. Yantai is a coastal city located in the province of Shandong, where it enjoys a moderate winter and summer. It is at the same latitude as major vine cultivation regions in France and Italy and is reputed to be the best place in PRC to grow vines due to its plentiful rain and abundant sunshine, earning the city the moniker of "Oriental Bordeaux". The industrialised production of grape wine in Yantai has been established for more than 100 years and today, Yantai is known as the wine hub of the PRC.

As at the LPD, our winery has a production capacity of approximately 12,480 tonnes of wine per annum, and our own two (2) vineyards in the Yantai-Penglai locality span across cultivation areas of approximately 5,500 Mu (equivalent to approximately 3.67 million Sq m) in aggregate.

We place strong emphasis on product quality and have established stringent quality assurance procedures to ensure adherence to quality, cleanliness and high hygiene standards in our production, storage and transportation of our wines.

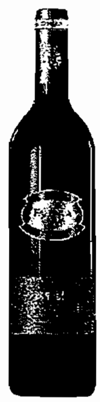
6.1.2 Core Revenue Stream

We currently distribute for sale approximately 147 varieties of red and white wines under our flagship Fazenda Ohua Wine labels and our International Wine labels. Our wide range of wines comprises a majority red wine grape varietals such as Cabernet Sauvignon, Pinot Noir, Shiraz and Merlot and white wine grapes varietals such as Chardonnay, Riesling, Sauvignon Blanc and Pinot Blanc marketed under our flagship Fazenda Ohua Wine labels and our International Wine labels, serve to broaden our customer base and revenue stream. We differentiate the quality of our product based on, amongst other, grape varietals used, year of the grapes/ vintage, blending done by our Chief Winemaker for blended wines and packaging used. Details of the average selling prices for our local Fazenda Ohua Wines and International Wines are elaborated in Section 11.3.3 of this Prospectus.

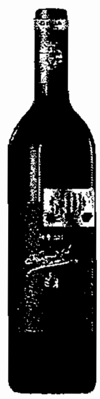
Our Directors believe that our wines, in particular, wines carrying our Fazenda Ohua Wine labels, are well-recognised and command market recognition as wines of quality. Reflecting the market recognition of our products are the awards and accolades that our wine labels have been accredited with.

6.1.2.1 Fazenda Ohua Wines

Our red and white wines which are made from locally produced grapes and locally sourced wine materials are distributed for sale under our flagship Fazenda Ohua Wine labels, a sample of which are set out below:-



Fazenda Ohua Merlot



Fazenda Ohua Cabernet Sauvignon

Fazenda Ohua Cabernet Blend

Fazenda Ohua Riesling

Our Fazenda Ohua Wines are produced from grapes grown on our vineyards as well as grapes and wine materials sourced from other local grape growers and wine material suppliers from regions neighboring our wine estate.

6. BUSINESS OVERVIEW (CONT'D)

Our local Fazenda Ohua Wines accounted for approximately 75.6% of our total wines sales for the six (6)-month FPE 30 June 2010.

Our local Fazenda Ohua Wines comprise red wine produced from Cabernet Sauvignon, Pinot Noir, Shiraz, Merlot grape varietals and white wines produced from Chardonnays, Rieslings, Sauvignon Blancs, and Pinot Blancs grapes varietals, as well as our unique varietal blends of both red and white wines. As at the LPD, we offer approximately 87 varieties of red and white wines under our product range of local Fazenda Ohua Wines.

For the six (6)-month FPE 30 June 2010, the FYE 31 December 2009, 2008 and 2007, sales of red wines under our flagship Fazenda Ohua Wine labels accounted for approximately 64.9%, 68.4%, 62.8% and 86.0% respectively of our Group's revenue, whereas sales of white wines under our flagship Fazenda Ohua Wine labels accounted for approximately 10.7%, 9.0%, 6.5% and 14.0% respectively of our Group's revenue.

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6.1.2.2 International Wines

In addition to our local Fazenda Ohua Wines, we also offer a variety of International Wines which are produced from wine materials of French, Australian, Spanish, Chilean and German origin. Our International Wines are produced from imported wine materials purchased in bulk typically in containers from local PRC wine material traders and vineyards in the country of origin of these wines. Some examples of the wine labels and the country of origin of the wine that are distributed under our International Wine labels are set out below:-

Bullock Vineyard Australia	Avillar Chile	Kass-Valley Chile	Stourier Spain	Prinator Spain

Mondeke Castle France	Mecod Valley France	Chateau Gaussnar France	Aiblleon Vineyard France	Reinnadberg Germany

As at the LPD, we offer approximately 60 varieties of red and white wines under our International Wine labels.

We commenced the sale of our International Wines in 2008. Our International Wines accounted for approximately 24.4% of our total wines sales for the six (6)-month FPE 30 June 2010. In addition, for the six (6)-month FPE 30 June 2010, the FYE 31 December 2009 and 2008, sales of red wines under our International Wine labels accounted for approximately 22.0%, 20.5% and 27.1% respectively of our Group's revenue, whereas sales of white wines under our International Wine labels accounted for approximately 2.4%, 2.1% and 3.6% respectively of our Group's revenue.

6.2 Competitive Strengths

Our business is supported by a strong platform of strengths and competitive advantages to sustain the business as well as to support growth. These key competitive advantages are set out below:-

i. **Our well-recognised flagship Fazenda Ohua Wine labels and International Wine labels enhanced by strategic marketing and diverse offerings of wine products to cater to the multi-tiered PRC consumer market segments**

Our Directors believe that both our flagship Fazenda Ohua Wine labels and International Wine labels have become well-recognised in the markets we serve. This level of recognition has been achieved through the following strategic marketing and operational initiatives:-

a) Focused brand management efforts amid our multiple labels and products strategy;

b) Effective marketing strategies that spawned our extensive distribution network of distributors that operate Fazenda Ohua specialty stores and other retail intermediaries;

c) Creative advertising initiatives;

d) Commitment to quality in our winemaking at each stage of our wine production process; and

e) Cultivating our own grapes for our own wine production process which allows us to have better control over the quality of our grapes and our wines.

As at the LPD, we offer approximately 87 and 60 varieties of wine under our flagship Fazenda Ohua Wine labels and International Wine labels respectively in order to cater to the multi-tiered PRC consumer market segments. Our multiple labels and products strategy, coupled with our strategic marketing initiatives, have served and continues to serve us by broadening our consumer base and revenue streams.

Our strategic marketing initiatives and well-recognised wine labels have enabled consumers to identify us with the quality products that carry our labels. This has increased awareness of our wines among consumers and resulted in increased popularity and brand loyalty for our wine products. Furthermore, our diverse offerings of wine products across our range of well-recognised wine labels, coupled with pricing tailored for each target consumer market, increases the appeal of our wines across the varying tastes, preferences and affluence levels of the multi-tiered PRC consumer market segments from mass market consumers to premium market consumers such as wine connoisseurs.

ii. Our extensive reach to PRC consumers through our wide distribution network, in particular our innovative one-stop Fazenda Ohua specialty stores concept

Our wines are primarily distributed for sale within PRC through our appointed master distributors, who in turn distribute these wines to end consumers via an extensive retail network of Fazenda Ohua specialty stores (comprising two (2) types of stores, namely "Ohua Châteaus" and "Ohua Manors"), which are managed by knowledgeable service staff trained by our in-house winemaker.

Other distribution channels include retail intermediaries such as hypermarkets, retail outlets and third party specialty stores that sell alcohol as well as to food & beverage establishments such as restaurants hotels and entertainment outlets.

As at the LPD, our distribution network encompasses 13 appointed master distributors, 113 Fazenda Ohua specialty stores (including nine (9) Ohua Châteaus type stores and 104 Ohua Manors type stores that operated and owned by these appointed master distributors and sub-distributors) and our wines are, to the best of our Directors' knowledge, retailed at approximately 3,100 point-of-sales spanning approximately 13 provinces and cities throughout the PRC.

In particular, we believe that our innovative use of Fazenda Ohua specialty stores as part of our distribution network allows us to raise the profile and benefit from premium positioning of our flagship Fazenda Ohua Wine labels and International Wine labels using point-of-sale marketing efforts as well as specially-trained in-house service personnel.

These distributors-operated Fazenda Ohua specialty stores carry a diverse offering of wines across our entire wine labels and products range in which almost all majority red wine grape varietals (such as Cabernet Sauvignon, Pinot Noir, Shiraz and Merlot) and white wine grape varietals (such as Chardonnay, Riesling and Sauvignon Blanc) from the major wine-producing countries (namely France, Australia, Spain, Chile and Germany) are represented in the Fazenda Ohua specialty stores.

We believe that with our training provided to the service personnel of these Fazenda Ohua specialty stores, our diverse range of wines are able to provide a one-stop tailored experience for our increasingly discerning customers in the PRC.

iii. Our strategic location and own vineyards in Yantai City, Shandong Province which known as the "Oriental Bordeaux" and the grape wine hub of PRC, allows us direct and easy access to stable and consistent supplies of quality materials

We are strategically located in Yantai, a coastal city in the province of Shandong, where it enjoys moderate winter and summer. It is at the same latitude as major vine cultivation regions in France and Italy and is reputed to be the best place in PRC to grow vines due to its plentiful rain and abundant sunshine, earning the city the moniker of "Oriental Bordeaux". The industrialised production of grape wine in Yantai has been established for more than 100 years and today, Yantai is the wine hub of the PRC.

Yantai is also the only place in Asia to be acknowledged as an "International Grape and Wine City" by the International Organisation of Vine and Wine ("L'Organisation Internationale de la Vigne et du Vin" or "OIV"). OIV is an inter-governmental organisation established in 3 April 2001 with 43 member states, which deals with technical and scientific aspects of viticulture and winemaking.

Such associations with Yantai has increased the market recognition of our wines, in particular our Yantai-produced range of wines under our flagship Fazenda Ohua Wine labels, as Yantai has a host of PRC-wide advertising initiatives that promote Yantai's rich winemaking history, vibrant wine culture, thriving wine industry and wines.

With the quality of the grapes and/ or wine being the key determinant of the quality of a wine product, a consistent supply of quality grapes and/ or wine materials is crucial to the production of quality wine product. Our strategic location in Yantai, the grape wine hub of the PRC, allows us easy access to stable and consistent supplies of quality materials within Yantai and neighbouring grape producing region of Penglai for the production of our local Fazenda Ohua Wines.

We have established close relationships with our main material suppliers from whom we source our grapes and/ or wine materials for our wine production. In addition, we have established our two (2) own vineyards in Yantai-Penglai locality since 2006 which cover approximately 5,500 Mu (equivalent to approximately 3.67 million Sq m) of land area in aggregate. Our vineyards yielded their first grape harvest in September 2009 of approximately 1,000 tonnes, which were mainly used as materials for our own wines production. The total tonnage of grapes used in our FYE 31 December 2009 production was approximately 5,400 tonnes and we expect the harvest yields from our two (2) own vineyards to increase to around 2,000 tonnes in FYE 31 December 2010. Based on the total tonnage of grapes used in our FYE 31 December 2009 production, the expected yield of 2,000 tonnes in December 2010 is expected to meet approximately 37.0% of our grape requirements. As such, our own vineyards further enhance our access to stable and consistent supplies of quality materials and reduce our dependency on third party supplies. Our own grape cultivation also assures us of the quality of our grape supplies as we have full control over the cultivation and harvesting of the grapes which is the most important parts of our winemaking process as it determines the quality of the grapes, and of our wines. This will also enhance our profitability as procurement from our own vineyards also allows us to capture the value in this upstream component of our value chain.

iv. Our commitment to meeting with our national quality standards

We place strong emphasis on the quality of our wine products under our flagship Fazenda Ohua Wine labels and International Wine labels and impose quality control standards on every stage of the wine production process, from the growth of our grapes, selection of grapes and/ or wine materials and other materials, to the fermentation, sterilisation and bottling stages. Our efforts in quality control have been demonstrated by the various quality accreditations we have received, including the Wine Variety Product in Accordance with the National Wine Production Standard GB15037-2006 Certificate, 2nd Place in the National Wine Sampling and Quality Assessment Activities and Yantai City Food Industry Excellent Quality Brand.

Due to our long standing relationship with our suppliers, our suppliers will periodically send numerous samples from which we will conduct the relevant sampling and tasting before we decide which wine materials to be purchased from the suppliers. Also, upon delivery by the suppliers, further sampling and tasting will be conducted on each and every barrel received before blending and bottling is done to ensure consistency in taste of the wines produced. Furthermore, we also conduct random checks on the finished products itself, to ensure that the taste of the wine is consistent even after bottling. This allows us to ensure that the labels, bottling and the end presentation of the various wines are in good condition.

We believe that our emphasis on strict and uncompromising quality control standards since our establishment till now has been instrumental in building up our industry standing and establishing our reputation as a producer and distributor of high-quality wine products in the PRC. We believe that this is crucial in the wine industry, and a salient competitive strength that allows us to distinguish ourselves from our competitors and enhance our strong branding and industry standing.

v. **Our experienced management team with proven track record**

Our Group is led by an experienced, dedicated and dynamic management team spearheaded by our founder, Executive Chairman and CEO, Mr. Wang Chao. He has played a pivotal role in steering the growth and success of our Group in the wine industry in the PRC and he has over 12 years of business experience in the wine industry. His experience, drive and passion for our business have been instrumental to our Group's success to date. He has conceptualised and implemented various strategies that led our Group to its current position in our industry.

Mr. Wang Chao is supported by an experienced and committed management team who are experienced in sales and marketing, wine production and financial management. Our Directors believe that the knowledge and experience of our management team will be critical to the continued growth and future development of our Group in the wine industry in the PRC. Our management team is also constantly identifying new markets and business opportunities for our Group to expand into.

vi. **Our head start over other competitors**

The development and commercialisation of the wine industry in the PRC started around 1995 and our founder, Executive Chairman and CEO, Mr. Wang Chao ventured into the wine business in 1997. As such, we are considered to be one of the pioneer wine companies in the PRC. Our early start in the wine industry has helped to give us a head start in establishing our supplier and distributor network and contacts. We are also a well-recognised name amongst wine consumers in the PRC as our brand name has been in the wine industry for more than ten (10) years.

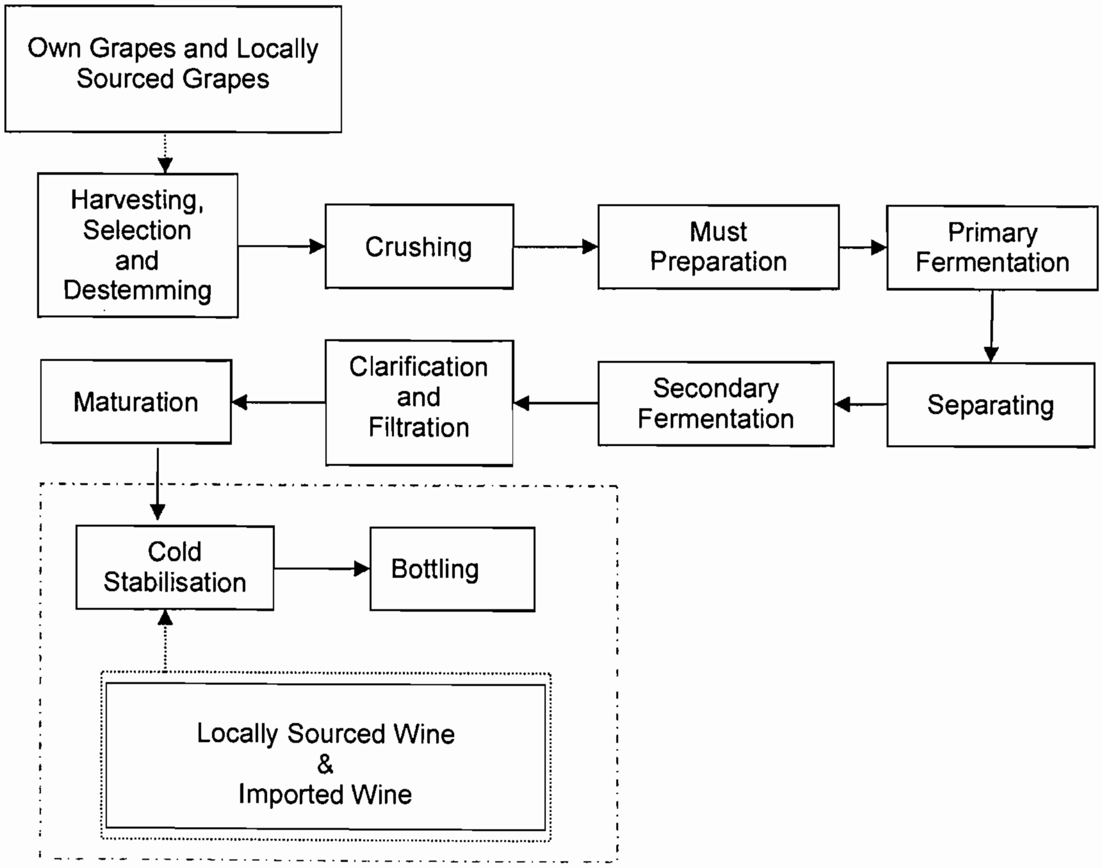
6.3 General Process Flow for Winemaking

The principal materials for the production of our wine products are grapes, wine, yeast, additives, imported wine materials as well as packaging materials. Apart from our own grown grapes, our Group sources grapes and/ or wine materials for our local Fazenda Ohua Wines from local suppliers in the PRC. For our International Wines, we import wine materials from the respective country of origin abroad as well as sourcing from local PRC wine material traders. Yeast and additives were sourced from local suppliers and traders who imported from countries outside PRC.

The principal packaging materials of our wines are bottles, bottle caps, labels, corks and packaging boxes. Most of our packaging materials are purchased from suppliers or manufacturers in the PRC.

Even though we have not entered into any formal long-term contracts with any of our suppliers, our Directors do not expect any difficulty in obtaining adequate materials in the future as we have established long-term relationships with our suppliers and alternative sources are also readily available. Further, our Group has not experienced any material difficulties in obtaining adequate materials to meet our production requirements since our establishment.

The following is the flowchart illustrating the typical winemaking process for the red and white wines that we produce and distribute for sale under our flagship Fazenda Ohua Wine labels and International Wine labels:-



6.3.1 Fazenda Ohua Wines

Based on our Group's past experience, it usually takes approximately 12 months or more to complete the entire production process for our local Fazenda Ohua Wines.

i. **Harvesting, Selection and Destemming**. This is the first step in wine production, for both red wine and white wine. We select and pick the grapes by hand or mechanically. We select quality grapes and ensure that no undesired species and/ or immature grapes, rotten fruit, leaves or debris are mixed with the quality grapes. Right after destemming, we separate the rachis or stems from the grapes in order to prevent bitterness.

ii. **Crushing.** After destemming, the grapes go through a crushing stage where mechanical crushers are deployed to crush both the skin and pulp of the grapes.

iii. **Must Preparation.** The resultant mixture of the juice with the seeds, skins and pulp is known as the must preparation.

iv. **Primary Fermentation (also known as alcoholic fermentation).** Here, we introduce yeast to the wine materials in order to convert the glucose in the wine materials into alcohol under controlled temperature.

v. **Separating.** In this process, the grape skins and grape seeds are separated from the juice or unprocessed wine materials.

vi. **Secondary Fermentation (also known as Malolactic fermentation).** This production process is applicable mostly to the production of red wine, and selected kinds of white wine such as Chardonnay, where malic acid in the wine is converted into lactic acid by introducing lactic acid bacteria. This process gives the wine a velvety taste and a richer fragrance.

vii. **Clarification and Filtration.** This process consists of filtering to ensure that the wine is bright and deposits are removed. Throughout our wine production, filtration may be undertaken at various stages in wine-making to remove both solid and fine particles.

viii. **Maturation (also known as aging).** The wine then undergoes maturation to soften tannins and to reduce acidity levels. Generally, full-bodied red wines undergo maturation for a period of up to 12 months. Wine is usually stored in stainless steel or concrete vats. However, our premium wines are fermented in oak barrels and allowed to continue to mature in the barrels to develop its oak flavours. Generally, the duration of maturation is different for different varieties of wine.

ix. **Cold Stabilization.** We will carry out stabilization to prevent tartrate crystals (potassium or calcium salts of tartaric acid) from forming. This is to refrain from causing customers unwarranted concern when they see the sedimentary crystals in the bottle. In this process, the temperature of the wine is dropped to freezing levels. At this stage of the process, wine materials sourced from our suppliers is also put through the cold stabilization process upon reaching our winery.

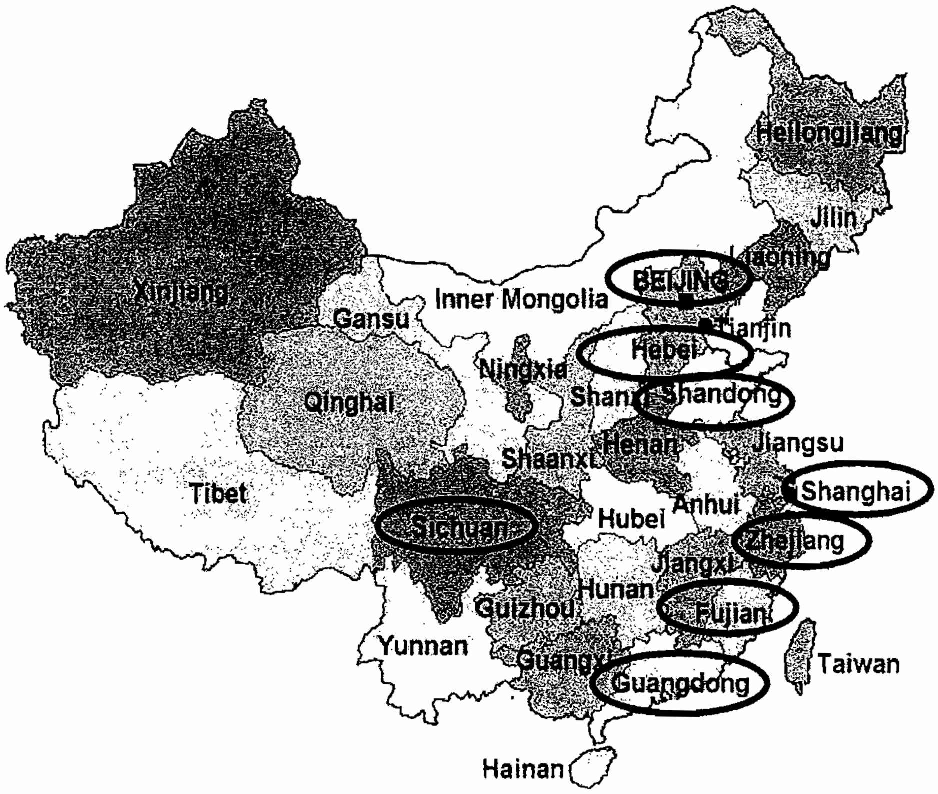
x. **Bottling**. Finally, we seal the wine bottles with corks and place capsules on the top of the bottle and heat them for a tight seal. Once bottled, the bottles would be delivered to our warehouse for storage until delivery to our customers.

6.3.2 International Wines

Our International Wines are produced from imported wine materials purchased in bulk typically in containers from local PRC wine material traders and vineyards in the country of origin of these wines. Prior to being bottled at our winery, our imported wine materials are also put through the cold stabilisation process upon reaching our winery.

6.4 Principal Markets

All our wines are produced for sale and marketed within the PRC. Our principal markets within the PRC can be depicted as follows:-



Our Group revenue contribution by the regions in PRC is set out below:-

	Six (6)-month FPE 30 June 2010 RMB'000	RM'000[*2]	%	Number of distributor	Length of relationship years
Fujian	69,289	33,924	30.2	1	3
Shandong	22,557	11,044	9.8	2	2
Beijing	25,249	12,362	11.0	1	6
Guangdong	22,853	11,189	10.0	1	3
Zhejiang	20,640	10,105	9.0	1	3
Shanghai	20,745	10,157	9.1	1	6
Sichuan	20,552	10,062	9.0	1	3
Hebei	11,469	5,615	5.0	1	3
Others[*1]	15,916	7,793	6.9	4	2
Total	**229,270**	**112,251**	**100.0**	**13**	

Notes:-

*1 *Other regions include Jiangsu, Jiangxi, Liaoning and Jilin*

*2 *The exchange rates used are extracted from the Accountants' Report*

Save for the changes in our business model as described in Section 6.12.1 of this Prospectus, our Group has never discontinued their relationship with any of our major distributors for the past three (3) years.

6.5 Seasonal and Cyclical Factors

Our sales revenue is subject to seasonal consumption cycle. There is a general increase in demand during the winter month from November to February and before or during holidays/ festive seasons due to the fact that alcoholic beverages such as wines are generally consumed during dinners and functions. Also, wines are purchased as gifts during such period.

6.6 Types, Sources and Availability of Raw Material

Our principal material for the production of wine is grapes. We currently have two (2) vineyards, namely our Haitou Vineyard and Huiwen Vineyard where we cultivate our grapes. Both of these vineyards are situated in the grape-growing region of Yantai City of "Oriental Bordeaux" fame and which has been accorded "International Grape and Wine City" status by the International Office of Vine and Wine, and where studies have shown that climatic conditions are ideal for the cultivation of grape vines.

6.6.1 Cultivation & Yield

As at the LPD, our Haitou Vineyard occupies approximately 1,500 Mu (equivalent to approximately 1 million Sq m) of cultivable land of which approximately 992 Mu (equivalent to approximately 0.66 million Sq m) is under cultivation, whereas our Huiwen Vineyard occupies approximately 4,000 Mu (equivalent to approximately 2.67 million Sq m) of cultivable land currently under cultivation.

The yield of our vineyards depends on a variety of factors, including amongst others, the following:-

- the quality of the grape seed;
- the soil and climatic conditions;
- the amount of fertilizer used;
- the management of the vineyards including pruning, plant-per-hectare, weeding and pest-control;
- the age of the grape vines; and
- the time of harvesting.

Our grape vines first reach commercial maturity approximately four (4) years after planting in the field and for FYE 31 December 2010, our grape vines are expected to yield approximately 2,000 tonnes per annum. The economic useful life of our vineyards is approximately 20 years.

The following table shows the details of our vineyards as at the LPD, providing a snapshot of the extent of cultivation of our vineyards:-

Vineyard	Type of Grape	Number of Vines	Areas
Haitou Plantation	Cabernet Sauvignon	227,300	992 Mu (equivalent to approximately 0.66 million Sq m)
	Cabernet Gernischt[*1]	236,700	
	Riesling	6,300	
	Yan 73[*2]	3,780	
Huiwen Plantation	Cabernet Sauvignon	1,419,390	4,000 Mu (equivalent to approximately 2.67 million Sq m)
	Cabernet Gernischt[*1]	1,409,310	

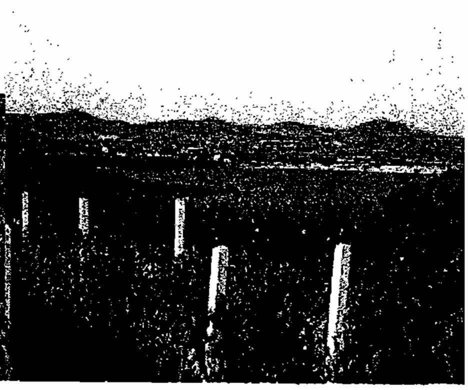
Notes:-

*1 *Cabernet Gernischt is a red wine grape variety used in the PRC believed to be of European origin and similar if not identical to Cabernet Franc. The Cabernet Gernischt grape is now unique to the PRC. Supposedly, exported to the PRC from Europe, it was first used to make red wine there in the early years of wine industry in the PRC, and is still in production at present*

*2 *The main features of Yan 73 are mid-maturing varieties, strong tree vigor, able to adapt to a variety of soil cultivation and more disease-resistant. Due to its strong coloring ability, it can be used in the wine manufacturing process as dyeing varieties*

Our vineyards yielded their first harvest approximately 1,000 tonnes in September 2009. Based on the total tonnage of grapes used in our FYE 31 December 2009 production, the expected yield of 2,000 tonnes in December 2010 is expected to meet approximately 37.0% of our grape requirements. The rest of the grapes and wine materials required for the production of our local Fazenda Ohua Wines were sourced from local grape growers and wine material suppliers from regions neighbouring our wine estate. Our local Fazenda Ohua Wines currently accounted for approximately 75.6% of our wines sales for the six (6)-month FPE 30 June 2010.

Haitou Plantation



Huiwen Plantation

6.6.2 Climate and Soil Conditions

Climate condition is the most important factor that contributes to the quality of grapes produced. These grapes which will be used to make wine require adequate sunshine, and suitable rainfall during the "growth" season, and consistent air temperature and little rainfall in the "harvest" season. The Yantai-Penglai region fulfils these climate requirements. Stretching into Bohai Bay and surrounded by the Shandong Peninsula and the Liaodong Peninsula, its coastal location gives it a moderate climate with no extreme temperatures during summer or winter months. In summer, there is little rainfall which is important to allow the grape a long mature period (i.e. usually requires two (2) months of maturing period with little rainfall).

The types of soil in Yantai-Penglai include brown soil, drab soil, humid soil and sandy soil. The main type of soil is brown soil, making up 78% of total soil in the area. Soil conditions are an important factor to ensure quality grapes are produced; the soil in Yantai-Penglai has rich mineral content (phosphorus, potassium and iron) which makes it ideal for grape growing.

6.7 Technologies Employed

Our Group uses various advanced automated machines and equipment in the production of our wine products. As at 30 June 2010, our Group has invested approximately RMB35.9 million in machineries and equipment since the commencement of our operations in 2002.

Our Group's machineries and equipment are mainly used for the production and packaging of our wine products, ranging from automated production lines to steel vat containers. We undertake preventive maintenance on all our machineries and equipment regularly to ensure optimum and uninterrupted performance. Maintenance work is carried out by our experienced and qualified technicians.

6.8 Winery, Winemaking Facilities and Equipment

6.8.1 Winery

Our winery is located in Yantai City and is within a 40 kilometres ("km") radius of both vineyards to facilitate timely processing of grapes harvested from our vineyards as grapes should typically be crushed into wine materials within 18 hours of picking for quality wine production. As at the LPD, our winery is staffed by approximately 50 production staff. All our winemaking is carried out at our winery.

6.8.2 Winemaking Facilities and Equipment

The winemaking facilities and equipment of our winery include crushers and filtration facilities, storage facilities, the automated bottling and packaging lines which automatically process, fill, seal and label the bottles of wine. Our core winemaking equipment is imported from Italy. Our winery also houses laboratories where quality control testing and product R&D are conducted.

Electricity is our principal source of energy for our manufacturing operations. As at the LPD, we have not experienced any prolonged power shortages or stoppages. We generally carry out regular maintenance and servicing of our production equipment and yearly inspection and repairs. Save for such planned maintenance and servicing shutdowns, we have not experienced any major shutdown or disruption to our manufacturing operations.

6.9 Production Capacity and Utilisation

Our production line is presently capable of producing a maximum production volume of 8,000 bottles of wine (750 milimetres) an hour over eight (8) working hours per day and 260 working days a year. However, our production capacity is limited by our limited number of fermentation tanks. The fermentation tanks are required in the primary fermentation, secondary fermentation and maturation of the winemaking process as well as for the storage purposes prior to bottling. The period required for fermentation ranges from one (1) year up to three (3) years, depending on the type of wines that we intends to produce. For example, if the grapes are required to undergo a fermentation period of three (3) years, the fermentation tanks, which store these grapes, will not be available for other grapes for three (3)-year period.

The following table illustrates the maximum fermentation capacity and the approximate utilisation rate of our winemaking facilities for our wine manufacturing, for the six (6)-month FPE 30 June 2010, the FYE 31 December 2009, 2008 and 2007:-

	Six (6)-month FPE 30 June	FYE 31 December		
	2010	2009	2008	2007
Maximum Fermentation Capacity (tonnes)	7,000	7,000	7,000	7,000
Approximate Utilisation Rate (%)[*1]	68.6[*2]	60.7	61.4	66.6

Notes:-

[*1] *Approximate utilisation rate is computed based on actual fermented output divided by capacity, where the fermented output refers to the grapes that have been fermented using our fermentation tanks. The actual utilisation rate varies by month to month*

[*2] *Annualised*

6.10 Quality Control Procedures

We place great emphasis on the maintaining of high quality of our wines and believe that it is one of the key factors to our success and is crucial to us maintaining our reputation as a manufacturer of quality products.

In order to ensure the quality of our wine, we have established a stringent quality control system to ensure adherence to cleanliness, hygiene standards, consistency in taste and packaging which covers each step of our wine making process, in particular, our grape cultivation and harvesting as the quality of the grapes determines the quality of a wine more than any other factor. Our Group has also been recognised over the years and has received numerous awards for our hygiene standards and wine quality.

6.10.1 Fazenda Ohua Wines

i. Materials

Our viticulture department is responsible for monitoring the growing process of grapes in our two (2) vineyards. The department regularly samples and conduct tests on the sugar and acidity levels of the grapes grown to ensure the quality of the grapes.

During the harvest season, which is from late August to October of each calendar year, they oversee the grape selection, picking and transportation processes to ensure only fully ripen grapes are picked and rotten ones are removed.

In respect of wine materials purchased from local suppliers, upon arrival of such wine materials purchased at our winery, our quality control department will conduct sampling and testing of the wine materials to ensure quality of the wines.

The department is also responsible to ensure that the good quality grapes are then delivered to our winery promptly. The speed of the delivery of the grapes to our winery is crucial as in order to reduce the risk of oxidation by air and putrefaction by heat, harvested grapes need to be crushed as soon as practicable, typically within 18 hours of picking.

ii. **Production**

Our quality control department is also responsible for setting out the quality control standards and measures, formulating the quality control system and assessing and organising quality control activities of our winemaking process.

The department will perform sample testing of the harvested grapes and wine materials purchased from local suppliers upon delivery to our winery according to our quality control standards for production of quality wine. The department will also ensure that the prescribed formulas are strictly applied when mixing the requisite ingredients for fermentation, as well as in testing the grapes and other materials.

Other materials purchased by us, such as labels packaging boxes and bottles are also sampled and tested by our quality control department before being put into use in our winemaking process.

iii. **Before delivery**

Prior to delivery of our wines, our quality control department will conduct tests and inspections from time to time on the wines' cleanliness, hygiene conditions and physical appearance at our own laboratory.

6.10.2 International Wines

We purchased imported wine materials in bulk, typically in containers from local PRC wine material traders and vineyards of repute in the country of origin of the wines which are then put through the cold stabilisation process prior to being bottled at our winery.

Upon the arrival of such containers, our quality control department will conduct sampling and testing of the wine materials. Thereafter, the wine materials are put through the cold stabilisation process and bottled. Subsequent to bottling, tests are further conducted to ensure consistency in quality. Finally, before the delivery of our International Wines, our quality control department will also conduct tests and inspections on the wines' cleanliness, hygiene conditions and physical appearance at our own laboratory.

6.11 Research and Development

Our Group has an in-house R&D department equipped with experienced staff and advanced machineries and equipment. At the foremost stage, our R&D team is responsible for inventing and developing new products. Regular R&D and product development meetings are held to develop new wines and discuss the tastes of the customers and packaging of the products. Currently, our R&D department concentrates principally on the development of new wines. Our R&D activities involve the formulation of new wines to achieve varying degree of alcohol content as well as flavour. Our R&D team continuously conducts testing to improve the flavours and quality of our new wine to suit market trend as well as changing consumer preference.

The year-on-year analysis from FYE 31 December 2007 to 2009 on R&D expenses for our Group are set out below:-

	<------FYE 31 December------>					
	2009		2008		2007	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
R&D expenses	996	460	928	429	1,268	586

R&D expenditure mainly comprised of R&D staff costs, material costs, consumables and design prototypes for new product development, and vineyard improvement. The R&D expenses were the highest in FYE 31 December 2007 mainly due to the wine varietals developed during the year of 2007.

The equipment in our R&D department are set out below:-

- Electronic thermal incubator;
- Electronic dryer;
- Electronic analytical balance;
- Purification station; and
- Automatic UV water sterilizer

The expenditures incurred by our Group for R&D are mainly for the purposes of recruitment of R&D staff, purchase of consumables and design prototypes. Other than the above expenditures, there were no significant expenditures incurred by our Group in the last three (3) FYE 31 December 2009 and the six (6)-month FPE 30 June 2010 on R&D.

6.12 Modes of Marketing, Distribution and Sales

Our wines are primarily distributed for sale within the PRC through our appointed master distributors, who in turn distribute these wines to end consumers via an extensive retail network of Fazenda Ohua specialty stores. Other distribution channels include retail intermediaries such as hypermarkets, retail outlets and third party specialty stores that sell alcohol, and direct sales to food & beverage establishments such as restaurants, hotels and entertainment outlets.

6.12.1 Marketing Strategy – Distribution

As at the LPD, our distribution network encompasses 13 appointed master distributors, 113 Fazenda Ohua specialty stores (including nine (9) Ohua Châteaus and 104 Ohua Manors that operated and owned by these appointed master distributors and sub-distributors) and retail intermediaries, and our wines are, to the best knowledge of our Directors, retailed at approximately 3,100 point-of-sales spanning approximately 13 provinces and cities throughout the PRC. The sale of our wine through Fazenda Ohua specialty stores allows for the aggressive expansion of our sales and distribution network carrying our brand name. This also allows us to capitalise on the significant shortage of wine retailers that is anticipated in the wine market as the consumer market grows. Fazenda Ohua specialty stores concept was introduced under the current business model whereby these specialty stores act as a platform to increase consumer awareness towards our brand.

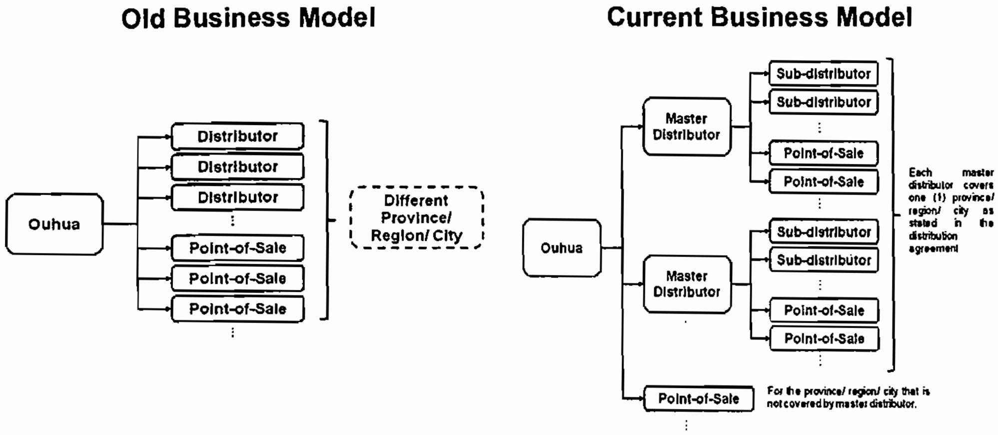
Under the previous business model, we sold products directly to the distributors and point-of-sales in the provinces/ cities of the PRC. We assumed logistics, management and sales of the distribution network. Despite the concentration risk on debtors has been reduced with higher number of distributors, our distributors were scattered at different locations in the provinces/ cities of the PRC and it was rather ineffective in terms of the logistic and the credit management as we had to coordinate and manage a large number of distributors across the huge PRC market and collection of payments from a large customer base requires a substantial utilisation of resources.

In order to achieve improved logistic and credit management and coordination, we had conducted a market analysis and assessed the effectiveness of the distribution network. As a result, we decided to adopt the master distributor concept in year 2008. Through dealing with only the appointed master distributors vis-à-vis large and diffuse distributors dispersed across the PRC, we are able to focus more on the development of business strategies to enlarge the size of our distribution network. In addition, our master distributors have a better understanding in terms of the local wine drinking culture and the local demand for wine in their respective province/ region/ city as compared to us.

Under the current business model, we distribute wine products to our appointed master distributors who will in turn distribute the products to the sub-distributors/ retailers/ end consumers. For illustration purposes, within the respective province or geographical region selected as our target market, we will appoint a master distributor to manage all sales and product distributions within the province or region itself. All distributors within the same province/ region are collaborated under the appointed master distributor and we only transact with this appointed master distributors whose role is to deal with sales and assume logistic management within the assigned distribution network.

The distributors/ customers under the old business model continue to be our distributor/ customers through the master distributor under the current business model. They are collaborated under the master distributors selected in their province/ region/ city. The master distributor also services new sub-distributor other than those previously serviced by us.

For illustration purposes, the diagram of the old business model and the current business model are depicted below:-



To illustrate, the number of the Fazenda Ohua specialty stores has increased from one (1) at the end of September 2008 to 113 as at the LPD. This distribution model allows us to:-

- have increased direct access to the end consumers and reduce reliance on our distributors who are not obliged to distribute only our products;
- facilitates effective brand management and brand building as the Fazenda Ohua specialty stores are only permitted to sell our wine products and the set up and decoration of the Fazenda Ohua specialty stores, which is designed by us, prominently displays "Fazenda Ohua" branding; and
- develop an extensive and established network using the distribution model which allows us to rapidly launch and market new products into the market through the Fazenda Ohua specialty stores.

As at the LPD, there are 113 Fazenda Ohua specialty stores and our wines are, to the best knowledge of our Directors, retailed at approximately 3,100 point-of-sales within the PRC. Details of our Group's distribution network based on the regions are set out below:-

	Ohua Château number	Ohua Manor number	Point-of-Sales number
Fujian	4	79	429
Beijing	-	1	195
Guangdong	-	-	497
Sichuan	-	1	463
Zhejiang	-	-	115
Shanghai	-	1	199
Hebei	1	1	217
Shandong	-	5	312
Jiangsu	1	7	208
Jilin	1	-	90
Liaoning	1	3	231
Jiangxi	-	5	94
Hunan	1	1	76
Total	**9**	**104**	**3,126**

6.12.2 The Fazenda Ohua specialty stores

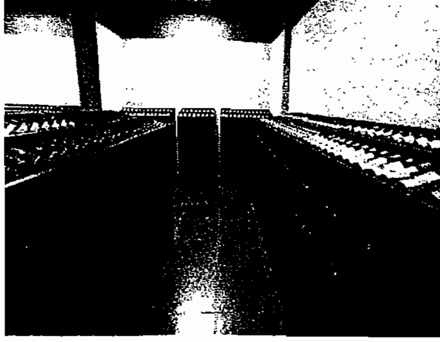
The distributors-operated Fazenda Ohua specialty stores can be categorised into two (2) types of stores, namely "Ohua Château" (酒窖), and "Ohua Manor" (酒庄) to capture different target groups of consumers in the multi-tiered wine market.

All of the Fazenda Ohua specialty stores are decorated elegantly in French classical style, e.g. the Ohua Châteaus are decorated with build-in frescoes and trapezes in the yard, all with the intention of providing consumers with an elegant, comfortable and memorable shopping experience. We also promote wine culture to our consumers via the Fazenda Ohua specialty stores by way of hosting of wine dinners and wine tasting events.

i. Ohua Château

As at the LPD, there are nine (9) Ohua Châteaus situated across the PRC. The Ohua Châteaus are often ranging between 300 to 1500 Sq m in size and offer the widest range of our wines. There are a few dining rooms in the Ohua Châteaus where customers are given the chance to taste our wine while dining. As we intend to promote wine culture among consumers in PRC, dining with wine tasting allows us to educate our customers about wine and is also a good opportunity for us to promote our wine products among consumers. In addition, there are varieties of Chinese cuisine or dishes served in Ohua Châteaus which would form a perfect match with our wine category and thus the food and wine would complement each other.

Ohua Château's Reception Area



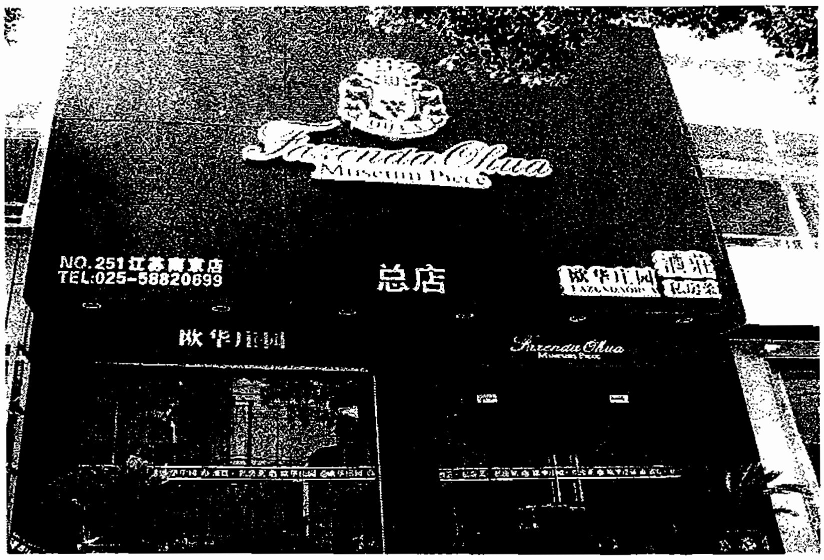
Ohua Château's Wine Shelves

Ohua Château's Dining Room

6. BUSINESS OVERVIEW (CONT'D)

ii. Ohua Manor

As at the LPD, there are 104 Ohua Manors in the PRC. The Ohua Manors are usually ranging between 70 to 130 Sq m in size and some have private dining facilities which offer local dishes to be served together with our wines.



Ohua Manor

6.12.3 Brand protection & controls

To protect our branding and as part of our quality control, we have undertaken the following measures:-

i. Guidance/ Training

We guide our distributors as well as the operators of the Fazenda Ohua specialty stores on the setup and decoration of the Fazenda Ohua specialty stores. We also equip them with know-how to operate Fazenda Ohua specialty stores through training that focuses on product knowledge, inventory management, sales strategy and quality control. We regularly monitor the Fazenda Ohua specialty stores to ensure that they adhere to our quality control standards and policies, including, amongst others, hygiene standards and prices. In addition, our operators typically assume a supervisory role over the operation of the Fazenda Ohua specialty stores that they sign on, to ensure that the operators adhere to our quality control standards and policies.

ii. Inspection/ Monitoring

We regularly monitor each of our distribution channels to ensure that the distributors are not in violation of the terms of their respective contracts with us.

In addition, our management personnel would perform inspection and checking on the stores on periodic basis and interact with the distributors as well as the operators of the Fazenda Ohua specialty stores to ensure that these distributors meet our expected requirements.

We also have the right to terminate the contracts of any of our distribution channels if they do not comply with the standards prescribed by our Group in their respective contracts, such as when the distributor sells products beyond the agreed region.

6.12.4 Sales and Marketing Strategies

Our sales and marketing strategies include:-

i. **Advertisements and Publications**

We advertise through a variety of channels including newspapers, television, highway billboards and newsletters.

ii. **Participation in Trade Fairs and Exhibitions**

We participate regularly in trade fairs and exhibitions in the PRC to increase our brand awareness and market presence among consumers.

iii. **Market Research**

We conduct market research where our marketing staff makes regular visits to the various marketing sectors in order to better understand the market conditions and its current state of affairs to provide our management with a definitive direction for the formulation of management strategies.

iv. **Promotions and Events**

We typically engage in promotional activities whenever a new Fazenda Ohua specialty store is set up during the launch of new products and during festive seasons. Typically, our marketing methods include offering of free product samples and conducting wine tasting session during such events.

v. **Strategic Management of Distribution Network**

We strategically recruit reliable distributors in key provinces who in turn recruit retailers as well as operators of Fazenda Ohua specialty stores to expand our distribution network. We also strive to maintain a close relationship with our distributors and we are constantly and directly involved with the distributors at the retail and ground level to increase our brand visibility and image across each province and city.

6.13 Product Development, Design and Packaging

Recognising that wines are lifestyle consumer products, we emphasise on product development and product packaging of our wines to ensure that our wines not only interest and excite the palate of consumers, but also appeal visually to consumers.

6.13.1 Product Development

We identify and monitor trends in consumers preferences of red and white wines within the PRC through our own in house on-the-ground market research and intelligence gathered through feedback from the consumers and retailers of our wines. Based on our research on the industry and the feedback from our customers and retailers, we develop our wine with characteristics, or modify our existing range of wines for characteristics, to accommodate the different consumer preferences.

Key characteristics of a wine that are used by consumers to assess the quality of wines include the appearance, flavour and aroma of the wine. We develop wines or modify existing wines typically by a controlled modification of one or more stages of our wine making process such as altering the fermentation period; or in the case of a blended wine, by altering the amount of each varietals of wine that comprise such wine blend. Such modifications in the wine making or wine blending influence the appearance, flavour and aroma of a wine.

Our development and blending of wines are carried out under the direct supervision of our Chief Winemaker.

6.13.2 Product Design & Packaging

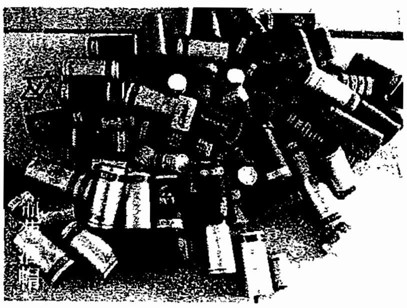
Our wine labels, wine caps and wine cork and other packaging of our wines are all designed in-house. They are artistic and decorative in design to ensure that our range of wines - whether bottled or in casks - are of optimum visual appeal to consumers.

The following is illustrative of our emphasis on product design and packaging:-

i. the artwork of the wine labels of our wines is ornate and elegant;

ii. the wine caps and wine corks of our wine bottles are imprinted/ embossed with the names or illustrations of our wine labels; and

iii. our premium range of our wines may be packed in wooded boxes which are imprinted/ embossed with decorative motifs or illustrations.



Wine Caps/ Corks

Labels and Packaging

6.14 Approvals, Major Licences and Permits Obtained

Details of the approvals, major licences, and permits obtained by us for the business and operations of our Group are set out below:-

Company	Approving Authority/ Issuer	Type of Approvals/ Licences/ Permit	Date of Issuance/ Validity	Major Conditions imposed	Status of Compliance
Ouhua PRC	General Administration of Quality Supervision, Inspection and Quarantine of the PRC	National Industrial Products Manufacturer Permit	07.04.2009 Valid from 07.04.2009 to 26.03.2012	• Shall apply for renewal in the event any of the registered information has changed • Shall apply for renewal six (6) months before it expires	Complied
Ouhua PRC	Yantai City Health Bureau	Food Hygienic Permit	12.06.2007 Valid from 12.06.2007 to 11.06.2011	• Shall apply for the renewal in the event any of the registered information has changed • Shall apply for renewal 60 days before it expires	Complied
Ouhua PRC	Certification and Accreditation Administration of PRC	Hygiene Registration Certificate	20.05.2010 Valid from 20.05.2010 to 19.05.2013	• Shall apply for re-examination 60 days before it expires • Shall apply for renewal in the event any of the registered information has changed	Complied

6.15 Brand Names, Patents, Trademarks, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

We believe that the trademarks below are important to our brand-building efforts and the marketing of our business. Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights for our business operations:-

6.15.1 Fazenda Ohua Wines

Trademarks	Place of Registration	Class*1	Registration Number*2	Validity Period
	PRC	33	1486479	07.12.2000 to 06.12.2010
Fazenda Ohua	PRC	33	3889347	28.11.2005 to 27.11.2015
欧华庄园	PRC	33	3889348	28.11.2005 to 27.11.2015
欧华庄园 FAZENDAOHUA	PRC	33	Application No. 7084753	Pending Registration

6.15.2 International Wines

Trademarks	Place of Registration	Class*1	Application Number*3	Validity Period
	PRC	33	6785834	Pending registration

6. BUSINESS OVERVIEW (CONT'D)

Trademarks	Place of Registration	Class[*1]	Application Number[*3]	Validity Period
	PRC	33	6785831	Pending registration
	PRC	33	6785832	Pending registration
	PRC	33	6785837	Pending registration
	PRC	33	6785835	Pending registration
	PRC	33	6785830	Pending registration
	PRC	33	6785828	Pending registration
	PRC	33	6785829	Pending registration

Trademarks	Place of Registration	Class[*1]	Application Number[*3]	Validity Period
	PRC	33	6785833	Pending registration
	PRC	33	6785836	Pending registration

Notes:-

*1 *Class 33: Fruit extracts (alcoholic), aperitif, distilled beverages, cider, wine, liqueur, wine (beverages), brandy, alcoholic beverages (except beer), and alcoholic beverages containing fruit (end)*

*2 *The original applicant of these trademarks was YO Winery who has entered into a Transfer Agreement to transfer the Trademark to Ouhua PRC on 16 November 2009*

*3 *The original applicant of these Trademarks is Li Rong who has entered into a Trademark Application Transfer Right Agreement to transfer the Trademark to Ouhua PRC on 16 November 2009*

To the best of knowledge and belief of our Directors, our Group is not aware of any third party that is currently using a trademark similar to our trademarks listed above in the PRC.

6.16 Dependency on Patents, Licences, Industrial, Commercial or Financial Contracts or Arrangements

Save as the trademarks as disclosed in Section 6.15 of this Prospectus, we do not use or own any other trademarks, patents or intellectual property rights which are material to our business. In addition, save as disclosed in Section 6.15 of this Prospectus, our business or profitability is not materially dependent on any licence, patent or other intellectual property rights for our business operation. Save as disclosed in Section 6.15 of this Prospectus, we are not dependent on any other major licences, permits and registrations for our business operations.

6.17 Interruptions in Business for the Past 12 Months

We have not experienced any interruptions to our business having a significant effect on our Group's operation for the past 12 months prior to the date of this Prospectus.

6.18 Governing Laws and Regulation including Environmental Concerns

6.18.1 Government Laws and Regulations

In general, the material government law governing the wine industry includes the Enforcement of National Grape Wine Standard (which was initially an optional standard but became a compulsory national standard (GB 15037-2006) on 1 January 2008), the National Integrated Wastewater Discharge Standard (GB 8978-1996) and the more recently released Good Manufacturing Practice of Wine Enterprises.

Ouhua PRC has complied with all the above standards and the good manufacturing practice. It has also obtained all the relevant permits and licences required to carry on its business legally in the PRC.

6.18.2 Environmental Regulations

On 12 October 2009, the Environmental Protection Bureau of Yantai City issued to our Group a confirmation letter confirming that after examination, our Group has not violated the Environmental Protection Law of the PRC and other laws and regulations related to environmental protection. In addition, all our production facilities and construction projects have been in compliance with laws, regulation and compulsory standards of state and local level in connection with environmental protection, no violation was found.

6.19 Major Customers

Our major customers (i.e. those individually contributing 10% or more of our revenue for the six (6)-month FPE 30 June 2010 and each of the past two (2) FYE 31 December 2009) are set out below:-

Six (6)-month FPE 30 June 2010

Customers	Country of Origin	Turnover RMB'000	Turnover RM'000[*1]	Percentage of Turnover %	Length of Relationship Years	Principal Activities
Fujian Ouhua Winery Trading Co., Ltd	PRC	69,289	33,924	30.2	3	Distributor
Beijing Fazenda Ouhua Wine Sales Co., Ltd	PRC	25,249	12,362	11.0	6	Distributor
Guangzhou City Langcunyeshi Winery Co., Ltd	PRC	22,853	11,189	10.0	3	Distributor

6. BUSINESS OVERVIEW (CONT'D)

FYE 31 December 2009

Customers	Country of Origin	Turnover RMB'000	Turnover RM'000*1	Percentage of Turnover %	Length of Relationship Years	Principal Activities
Fujian Ouhua Winery Trading Co., Ltd	PRC	114,287	57,738	30.4	2	Distributor
Beijing Fazenda Ouhua Wine Sales Co., Ltd	PRC	40,237	20,328	10.7	5	Distributor

FYE 31 December 2008

Customers	Country of Origin	Turnover RMB'000	Turnover RM'000*1	Percentage of Turnover %	Length of Relationship Years	Principal Activities
Fujian Ouhua Winery Trading Co., Ltd	PRC	38,119	18,343	12.6	1	Distributor
Beijing Fazenda Ouhua Wine Sales Co., Ltd	PRC	37,773	18,176	12.5	4	Distributor
Chengdu Wuhou Alcohol Trading Co., Ltd	PRC	35,818	17,236	11.9	2	Distributor

Note:-

*1 *The exchange rates are extracted from the Accountants' Report*

None of our customers contributed 10% or more of our total revenue for the FYE 31 December 2007.

During the six (6)-month FPE 30 June 2010, the FYE 31 December 2009 and the FYE 31 December 2008, our business is somewhat dependent on our top two (2) customers, namely Beijing Fazenda Ouhua Wine Sales Co., Ltd and Fujian Ouhua Winery Trading Co., Ltd. Both Beijing Fazenda Ouhua Wine Sales Co., Ltd and Fujian Ouhua Winery Trading Co., Ltd have been dealing with us for the past six (6) and three (3) years respectively which indicate that there is a stable business relationship with the customers. In addition, the rapid expansion of the Fazenda Ohua specialty stores network in Fujian Province have contributed to the higher demand by Fujian Ouhua Winery Trading Co., Ltd in the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009.

Our business philosophy has always been focused on nurturing and building strong and long-term business relationships with our customers. This means nurturing the potential of our major customers, and at the same time generating more revenue from other existing customers as well as winning new customers.

6. BUSINESS OVERVIEW (CONT'D)

6.20 Major Suppliers

Our major suppliers (i.e. those individually contributing 10% or more of our purchases for the six (6)-month FPE 30 June 2010 and each of the past three (3) FYE 31 December 2009) of wine materials are set out below:-

Six (6)-month FPE 30 June 2010

Suppliers	Country of Origin	Purchases RMB'000	Purchases RM'000*1	Percentage of Purchases %	Length of Relationship Years
Shanghai Fenghui Trading Co., Ltd	PRC	44,085	21,575	45.0	5
Shanghai Yunjie Trading Co., Ltd.	PRC	16,246	7,951	16.6	3
Jiaoan Meidi Zhuangyuan Wine Co., Ltd.	PRC	9,943	4,866	10.1	2

FYE 31 December 2009

Suppliers	Country of Origin	Purchases RMB'000	Purchases RM'000*1	Percentage of Purchases %	Length of Relationship Years
Shanghai Fenghui Trading Co., Ltd	PRC	28,756	14,507	24.8	4
Shanghai Yunjie Trading Co., Ltd.	PRC	30,889	15,583	26.6	2

FYE 31 December 2008

Suppliers	Country of Origin	Purchases RMB'000	Purchases RM'000*1	Percentage of Purchases %	Length of Relationship Years
Shanghai Fenghui Trading Co., Ltd	PRC	17,650	8,493	20.8	3
Shanghai Yunjie Trading Co., Ltd.	PRC	11,080	5,332	13.1	1
Xiamen Xieli Medicines and Health Products IMP. & EXP. Co., Ltd.*2	PRC	10,017	4,820	11.8	2

6. BUSINESS OVERVIEW (CONT'D)

FYE 31 December 2007

Suppliers	Country of Origin	Purchases RMB'000	Purchases RM'000*1	Percentage of Purchases %	Length of Relationship Years
Shanghai Jietu Industrial and Trading Co., Ltd*2	PRC	6,232	2,815	19.1	4
Shanghai Fenghui Trading Co., Ltd	PRC	4,260	1,924	13.0	2

Notes:-

*1 *The exchange rates are extracted from the Accountants' Report*

*2 *Xiamen Xieli Medicines and Health Products IMP & EXP Co., Ltd is a supplier of wine materials. Shanghai Jietu Industrial and Trading Co., Ltd is a supplier of production consumerables and equipment. These parties are currently still supplying to our Group albeit on a smaller scale such that they are not considered major suppliers for the FYE 31 December 2009*

In the past three (3) years, Shanghai Fenghui Trading Co., Ltd was one of our major suppliers. This long term relationship and established business relationship will provide us the basis for the continuing supply of wine materials. Notwithstanding this relationship, we could easily source wine materials from alternative local traders and supplier in PRC or import directly from other overseas producers, if the need were to arise.

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6. BUSINESS OVERVIEW (CONT'D)

6.21 Information on Land and Buildings

Currently, our Group does not own any land or building.

A summary of the land and buildings leased by our Group are set out below:-

Tenant	Title Description/ Postal Address	Registered Owner/ Beneficial Owner	Description and Existing Use	Period of Tenancy/ Date of Expiry of Lease or Right of Use	Land Area	Yearly Rental RMB
Ouhua PRC	A parcel of land located in Haitou Village, Liujiagou Town, Penglai City, PRC and Xuli Village, Liujiagou Town, Penglai City, PRC	Villagers of Haitou Village and Xuli Village, Liujiagou Town, Penglai City, PRC	Vineyard	30 years from 01.01.2006 to 31.12.2035	Approximately 1,500 Mu (equivalent to approximately 1 million Sq m)	600 per Mu (subject to an increase of RMB50 per Mu every five (5) years)
Ouhua PRC	A parcel of land located in the Huiwen Village, Xiaomenjia Town, Penglai City, PRC and Xilvjiagou Village, Xiaomenjia Town, Penglai City, PRC	Villagers of Huiwen Village and Xilvjiagou Village, Xiaomenjia Town, Penglai City, PRC	Vineyard	30 years from 01.01.2006 to 31.12.2035	Approximately 4,000 Mu (equivalent to approximately (2.67 million Sq m)	600 per Mu (subject to an increase of RMB50 per Mu every five (5) years)
Ouhua PRC	No. 3 Wolong North Road, Wolong Foreign Investment Development Zone, Zhifu District, Yantai City, PRC	YO Winery	Three (3) storey detached office building/ Non-residence	20 years from 01.01.2005 to 31.12.2024	Approximately 9,972 Sq m (Built-up area of 2,267 Sq m)	720,000 (subject to 5% increase every five (5) years)
Ouhua PRC	Wolong Development Zone, Chujia Village, Huangwu Town, Yantai City	Huangwu Town government	One (1) storey detached industry workshop/ Non-residence	20 years from 09.12.2003 to 08.12.2023	Approximately 18,000 Sq m (Built-up area of 2,729 Sq m)	900,000 (subject to 10% increase every five (5) years)

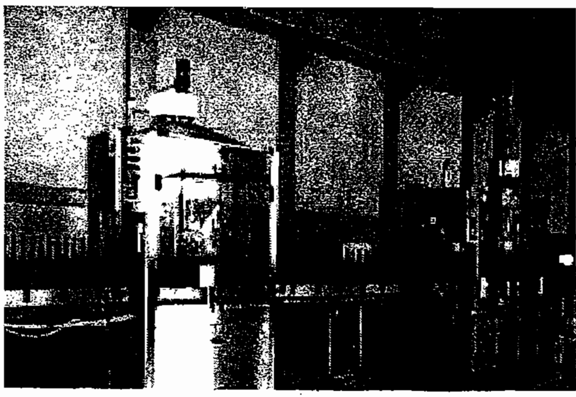
The total yearly rental of above-mentioned leased land and building is RMB4.9 million (equivalent to approximately RM2.3 million). We have entered into various lease agreements that are in compliance with the relevant PRC laws on land and buildings. Our Listing Scheme does not involve any valuation of the above-mentioned land and buildings. Our Directors wish to highlight that, to the best of their knowledge and belief, in respect of the land and buildings leased by our Group as stated above, there are no environmental issues that may materially affect our utilisation of the above properties.

6.22 Material Plant and Equipment of Our Group

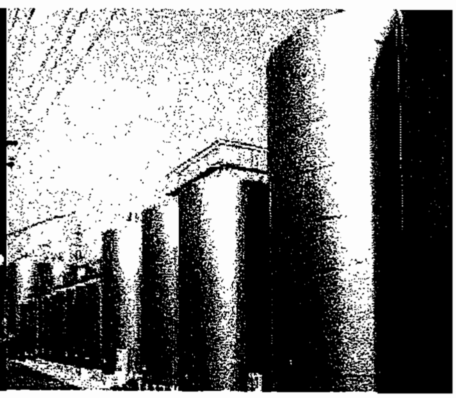
The details of the material plant and equipment of our Group as at the date of this Prospectus are set out below:-

Description	No. of Units	Capacity	Age Years	Date of Acquisition	NBV as at 30 June 2010 RMB'000
Italian FIMER automatic bottling production line	1	8,000 bottles per hour	7.0	June 2003	4,280
Stainless steel tanks of 20 tonnes capacity	31	620 tonnes	7.5	January 2003	668
Stainless steel tanks of 40 tonnes capacity	28	1,120 tonnes	7.5	January 2003	1,788
Stainless steel tanks of 300 tonnes capacity	6	1,800 tonnes	7.5	January 2003	1,676
Stainless steel tanks of 130 tonnes capacity	6	780 tonnes	7.5	January 2003	726
Stainless steel tanks of 150 tonnes capacity	3	450 tonnes	7.5	January 2003	419
Stainless steel tanks of 200 tonnes capacity	4	800 tonnes	7.5	January 2003	745

Our Board is of the opinion that our Group has sufficient capacity to meet the current and anticipated level of demand and will continue to monitor the capacity requirements to ensure that our Group's operations run smoothly.



Italian FIMER Automatic Bottling Production Line



Stainless Steel Tanks

6.23 Acquisition of properties during the two (2) years preceding the date of this Prospectus

We have not acquired any properties during the two (2) years preceding the date of this Prospectus.

6.24 Insurance coverage

As at the LPD, we have insured our building, machinery, equipment, tools instrument and metres under our property insurance policies.

Our Directors believe that it is not an industry practice to procure insurance coverage for product liability arising from the supply of wine products in the PRC. Accordingly, our Group does not presently maintain any such insurance. Our Directors are of the view that after taking into account the wine industry in the PRC, our current insurance policies are in line with the general practice in the industry. There had been no material litigation brought against our Group in relation to product claims in the last three (3) FYE 31 December 2009 and the six (6)-month FPE 30 June 2010.

Our Directors are of the view that the above insurance policies are adequate for our existing operations. As at the LPD, we have not suffered any losses or damages or incurred any liabilities that have a material effect on our business. We will review our insurance coverage annually to ensure that it is adequate and relevant.

6.25 Future Plans and Strategies

In ensuring our continued growth, our future plans are focused in the areas as set out below:-

6.25.1 Expand our market presence and distribution network, in particular Fazenda Ohua specialty stores

Our marketing, selling and distribution expenditure for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009 was approximately RMB25.2 million and RMB34.1 million respectively.

As at the LPD, our distribution network encompasses approximately 13 appointed master distributors, 113 Fazenda Ohua specialty stores (including nine (9) Ohua Châteaus type stores and 104 Ohua Manors type stores that operated and owned by these appointed master distributors and sub-distributors) and our wines are, to the best knowledge of our Directors, retailed at approximately 3,100 point-of-sales within the PRC over 13 provinces and cities.

We intend to expand our market presence and our distribution network, in particular Fazenda Ohua specialty stores, by penetrating further into our existing markets as well as enter into new geographical regions through the expansion of our distribution network in these markets, either through the appointment of new distributors or the establishment of representative offices in these markets. We also intend to expand the footprint of Fazenda Ohua specialty stores across our target markets. By the end of FYE 31 December 2011, we aim to expand our sales network across the PRC to approximately 200 Fazenda Ohua specialty stores and approximately 50 retail intermediaries, with approximately 5,000 point-of-sales within the PRC in over 160 cities and towns across approximately 15 provinces and cities.

We intend to achieve these through the following:-

i. Strengthening our marketing capabilities by increasing the number of sales and marketing personnel in our Group to undertake increased sales and marketing activities, to perform quality and consistency checks on the Fazenda Ohua specialty stores and to provide assistance to our distributors in recruiting more sub-distributors to increase the number of Fazenda Ohua specialty stores;

ii. Widening our customer base, in particular our network of appointed master distributors, to gain access to or enhance our presence in our target markets;

iii. Assisting our appointed master distributors in expanding their retail networks of Fazenda Ohua specialty stores and other retail intermediaries for the distribution of our wine products. Although the Fazenda Ohua specialty stores are being operated by the distributors, they are relying on us for the provision of knowledge in terms of technical know-how, store operation, training, collaborative branding and advertising strategies; and

iv. Providing renovation subsidies to our distributors as a form of support.

Our Wines in Supermarket

6.25.2 Enhance our R&D capabilities

We believe that to keep up with the increasingly discerning palate of the consumers in PRC, we need to continually improve the quality, variety, packaging and overall appeal of our wine products. Accordingly, we intend to continually enhance our cultivation methods, processing procedures and quality controls in all aspect of our value-chain. To do so, we intend to hire more experienced botanists, oenologists, process control managers and invest in additional quality monitoring machineries to enhance our abilities to continually deliver and meet our consumers' expectations.

6.25.3 Expand our production capacity and range of wines

As at the LPD, our winery had a production capacity of approximately 12,480 tonnes of wine per annum. Our core winemaking equipment includes crushers, fermentation tanks, automated bottling and packaging production lines which automatically process, fill, seal and label bottles. Our production capacity is mainly limited by a lack of fermentation tanks.

We anticipate increase in demand for our flagship Fazenda Ohua Wine labels as well as our International Wine labels as a result of, amongst others, continual product development, our branding and marketing strategies, expansion of our market presence and network distribution as well as a general increase in appreciation of fine wine by the consumers in the PRC. To meet the anticipated increase in market demand for our wines, we intend to expand our production capacity and range of wines by investing in the following:-

i. Upgrade the existing processing facilities and acquire new winery production equipment including more fermentation tanks such as the tanks with fermentation capacity of 5,000 tonnes; and

ii. Enterprise resource planning system to better integrate our value chain, including but not limited to, improving the inventory turnaround days and reducing stock-out situations through the installation of real-time inventory control system for each Fazenda Ohua specialty store, enhancement of quality improvement ability through the increased ease of matching the quality of our wines with its materials and production processes, as well as general increase in efficiencies in human resources and decision support system.

6.25.4 Enhance the quality of and control over our materials supplies

With the quality of the grapes and/ or wine materials being the key determinant of the quality of a wine product, a consistent supply of quality grape and/ or wine materials is crucial to the production of quality wines. We intend to enhance the quality of and control over our materials supplies through the following initiatives:-

i. Enhance the yield and quality of our harvests from our own vineyards by investing in quality grape seeds and latest agricultural techniques such as different pruning, grafting methods and the use of fertilizer for our vineyards; and

ii. Continue to grow our relationships with our existing suppliers and identify new potential suppliers to ensure alternate sources of ready and reliable materials' supplies notwithstanding our upstream expansion to own vineyards in recent years.

Where opportunity arises, we may also consider expanding our existing vineyard capacity by establishing new vineyards by way of acquisition, joint venture or strategic alliances so as to increase our own cultivation volumes for our in-house wine production needs.

7. INDUSTRY OVERVIEW

7.1 Overview and Outlook of the Global Economy

The world economy showed signs of emerging from the worst recession since World War II, earlier than expected. The turnaround in early 2009 was encouraging given the unprecedented severity of the global financial crisis which emanated from the US and Europe and evolved into an economic crisis as asset prices fell and global demand plunged. The subsequent fall out impacted developoing countries and resulted in a moderation in their growth. Nevertheless, recovery in the global economy is expected to strengthen in the second half of the year.

The recovery was attributed to a number of factors. Principal among them were the trillions of dollars injected by major central banks to unlock credit markets and the coordinated efforts to keep interest rates low to boost investments and consumption. At the same time, a number of countries launched fiscal stimulus packages to mitigate the effects of the crisis and to pump prime the economies. As a result, the global downturn is expected to stabilise, albeit with a smaller contraction, spurred by the better-than-expected performance of PRC, India and the rest of Asia.

The prospect for emerging and developing economies is expected to be positive in 2010. This is due to the full impact of monetary and fiscal measures working through the economies and efforts to diversify away from export dependency to domestic consumption taking effect. Developed economies, on the other hand, continue to grapple with financial institutions that face additional losses, businesses and households that experience difficulty accessing credit, as well as high unemployement. Notwithstanding the various uncertainties, the global economy is expected to register modest growth in 2010.

The positive prospect is primarily a reflection of the effectiveness of the stimulus packages undertaken by a number of economies as well as international efforts to manage the crisis. Various multinational meetings helped generate a synchronised and coherent international response to forestall an even harder landing of the global economy. Economies remain committed to the longer term objectives of reforming the global financial architecture and safeguarding the world trading system. In the immediate term, they will continue to work together to restore financial stability and economic growth.

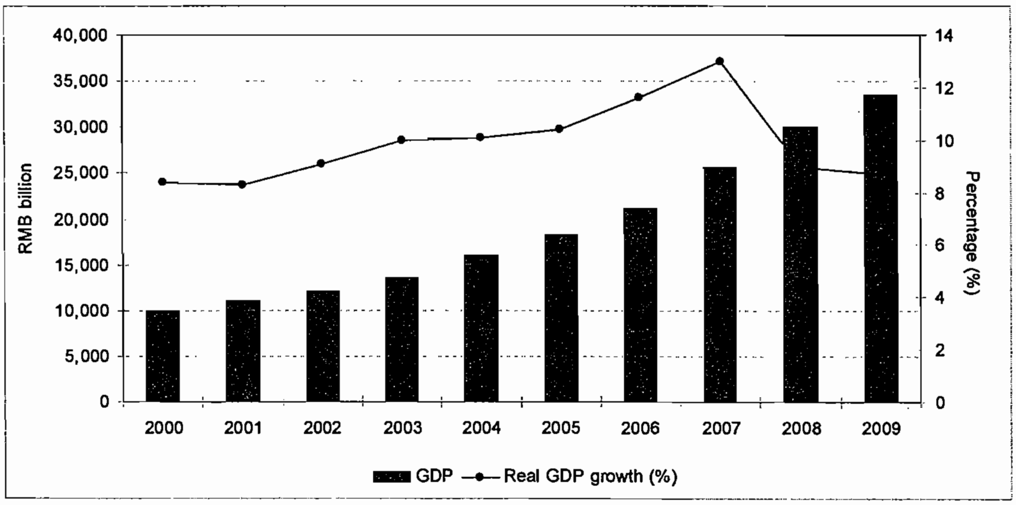
(Source: Economic Report 2009/ 2010, Ministry of Finance, Malaysia)

7.2 Overview of the PRC Economy

The economy in PRC grew at a rate of over 10% from 2003 to 2007. However, despite this tremendous growth during this time frame, PRC was unable to avoid or insulate itself from the effects of the recent global economic downturn. Economic growth fell slightly in 2008 to 9.1%, due to slower growth in exports and investments.

In line with the current global economic slowdown, PRC's GDP was further down to 8.7% in 2009, lower than the 9.1% in 2008, and 13.0% in 2007. Nevertheless, the massive USD586 billion stimulus package introduced by the Chinese government is expected to provide a boost to the economy amidst the current global conditions.

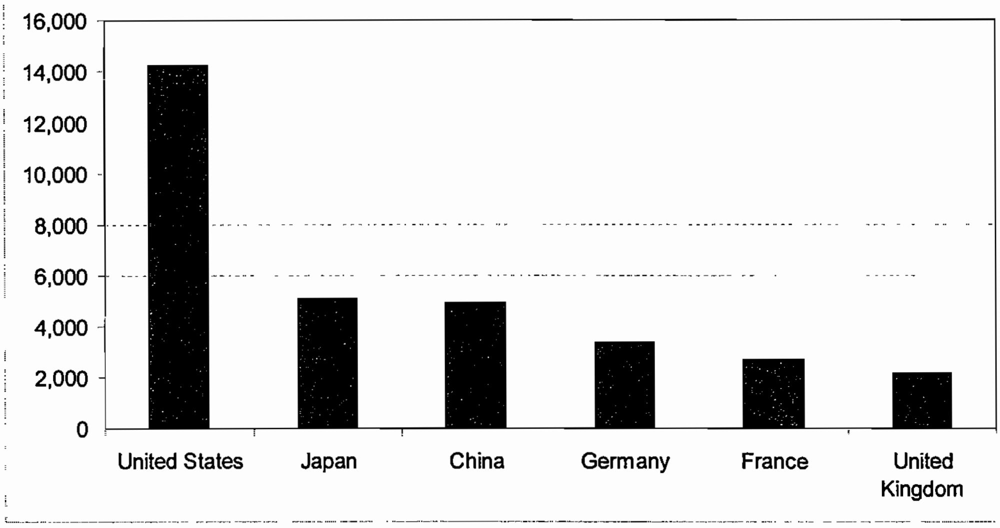
Figure 7-1: Economic Growth based on GDP (PRC), 2009



(Source: Secondary Research conducted by Frost & Sullivan)

Although the country is still relatively poor in terms of per capita GDP when compared to other countries, there is little disputing that PRC has emerged an economic giant globally. By taking into account its huge population size of around 1.3 billion in 2009, PRC today is one of the world's major economies. Based on data from the National Bureau of Statistics of PRC and the International Monetary Fund ("IMF"), PRC was the third largest economy in 2009 with an estimated GDP of USD4,909.0 billion, behind the US (with USD14,256.3 billion) and Japan (USD5,068.1 billion).

Figure 7-2: GDP of the World's Largest Economies, 2009



(Source: Secondary Research conducted by Frost & Sullivan)

7.3 Overview of the Global Wine Market

7.3.1 Global Wine Production

According to the Food and Agricultural Organisation of the United Nations, the major producers of wine globally in 2008 have a combined production of 21,649 ML of wine. These wine-producing regions, located between the 30th and the 50th degrees of latitude in both the Northern and Southern hemispheres are ideal for vineyards. Wine grows in regions with Mediterranean-type climates such as Southern Europe which includes Italy, France, Germany, and Spain.

Other regions where wine is widely grown include South America (mostly in Chile, and Argentina), certain states in the US (California, Oregon and Washington), South Africa (Cape Province), Australia (South Australia, Victoria, Western Australia), and PRC (Shandong, Jilin, Hebei, Henan and Tianjin).

Figure 7-3: Major Global Producers of Wine (ML), 2008

No.	Country	Estimated Production ML *2
1.	France	4,712
2.	Italy	4,610
3.	Spain	3,400
4.	US	2,300
5.	Argentina	1,520
6.	Australia	1,245
7.	South Africa	1,026

No.	Country	Estimated Production ML [*2]
8.	Germany	1,026
9.	PRC[*1]	960
10.	Chile	850
	Total of Major Producers	**21,649**
	Others	**4,820**
	Total	**26,469**

Notes:-

*1 *Refers to 2009*

*2 *Converted from tonnes to litres, based on estimated rate of 1 tonne = 1,000 litres*

(Source: Secondary Research conducted by Frost & Sullivan)

The global production of wine stood at 26,469 ML and the major producers churned out about 82% of total global production with 21,649 ML. The European region dominated wine production and exports in the world in 2008, contributed largely by the top three (3) producing countries, namely, France, Italy and Spain. France emerged as the top wine producer in 2008 with 4,712 ML. Italy came in second with 4,610 ML, followed by Spain with 3,400 ML.

In Europe, the top three (3) wine producers, namely France, Italy and Spain, are strategically nestled in the lush Mediterranean areas. Combined, they churned out 12,722 ML of wine, which is more than half of that produced from the major producing nations and around 48% of total global production in 2008. Germany was the seventh largest wine producer globally at 1,026 ML in 2008.

In the Americas region, US and Argentina were the fourth and fifth largest producers of wine in 2008, with 2,300 ML and 1,520 ML, each respectively. The West Coast of the US comprising of California, Washington and Oregon is the largest wine producing region in the nation. Another South American country – Chile, ranked number ten with 850 ML of wine in 2008.

Australia ranked number six, with 1,245 ML produced in 2008. The country has approximately 170,000 hectares of planted vineyards, with the majority of its wine produced around the South Australia regions.

South Africa also ranked number seven with 1,026 ML of wine produced in 2008. The country has approximately 110,000 hectares of vineyards located mainly around the Cape Province regions.

Meanwhile, the latest statistics available for PRC in 2009 indicate the country produced 960 ML of wine, making it the largest producer in Asia and ranked number nine worldwide.

7.3.2 Global Wine Consumption

Global wine consumption was estimated at 23,655 ML in 2009, with the major wine consuming nations drinking around 70% of this amount. France had the highest consumption rate at 2,990 ML or around 12.6% in 2009. This was followed by Italy in second place with 2,450 ML, and the US in third place with 2,603 ML. Germany and United Kingdom ranked fourth and fifth, having consumed 2,025 ML and 1,268 ML each respectively.

Wine consumption in the Spain stood at 1,130 ML, followed by PRC and Argentina at 1,127 ML and 1,070 ML respectively. In Russia, wine consumption was estimated at 1,036 ML, followed by Portugal with 465 ML.

In general, consumption trends between Asian and western countries are different due to social and cultural factors, amongst others. Specifically among selected Asian countries, Japan, Taiwan and Hong Kong had estimated wine consumption rates of 250 ML, 19 ML and 13 ML each respectively in 2008. Comparatively, these were lower than that of PRC's, likely due to the lower population size of these countries. Although total wine consumption in PRC is higher, its per capita consumption is lower than that of Japan, Taiwan and Hong Kong. However, there is much potential for growth in PRC's wine market, and its per capita consumption is expected to increase as its population becomes more affluent, underpinned by its fast-growing economy.

Figure 7-4: Major Wine Consuming Nations, 2009

No.	Country	Estimated Wine Consumption	Percentage of Total Global Consumption
		ML	%
1.	France	2,990	12.6
2.	Italy	2,450	10.4
3.	US	2,603*	11.0
4.	Germany	2,025	8.6
5.	United Kingdom	1,268	5.4
6.	Spain	1,130	4.8
7.	PRC	1,127	4.8
8.	Argentina	1,070*	4.5
9.	Russia	1,036*	4.4
10.	Portugal	465	2.0
-	Japan	250*	1.1
-	Taiwan	19*	0.1
-	Hong Kong	13*	0.1
	Total Major Countries	**16,446**	**69.5**
	Total Global Consumption	**23,655**	**100.0**

** Refers to 2008*

(Source: Secondary Research conducted by Frost & Sullivan)

7.3.3 Global Wine Per Capita Consumption

France had the highest consumption rate at 47.76 litres per capita in 2009. The rate of wine consumption among the Chinese in the PRC remains highly under-penetrated with ample growth potential at 0.84 litres per capita in 2009. While current total Chinese wine consumption is relatively low, future prospects given its vast population and increasing urbanization trends are expected to propel PRC into one of the world's major wine-consuming nations.

For example, if PRC were to consume the same amount of wine per capita, as a North East Asia country such as Japan, its estimated wine consumption per year would increase from 1,127.2 ML in 2009 to an estimated 2,600 ML.

Figure 7-5: Per Capita Wine Consumption of Selected Countries, 2009

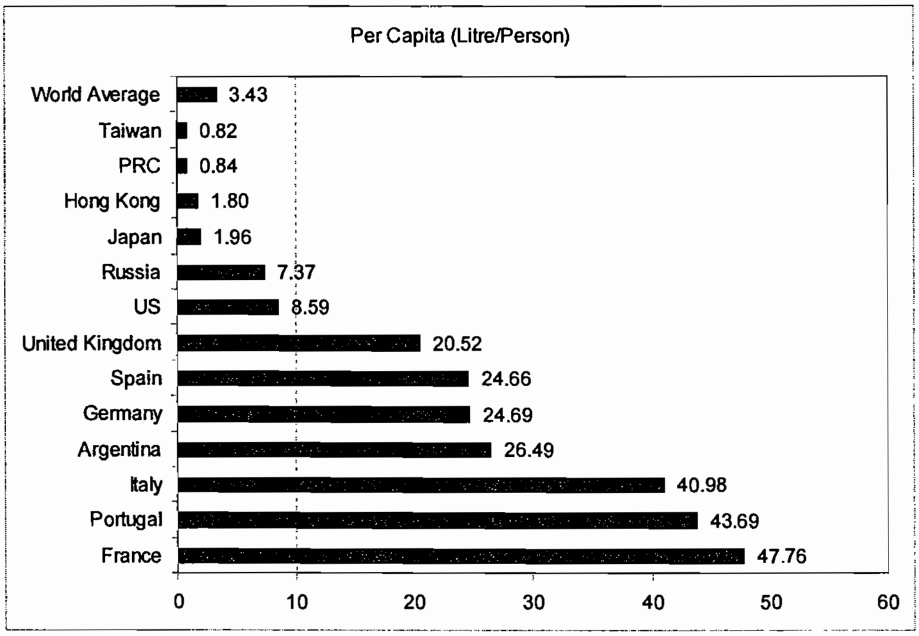
Country	Estimated Per Capital Consumption Litre per person
France	47.76
Portugal	43.69
Italy	40.98
Argentina	26.49*
Germany	24.69
Spain	24.66
United Kingdom	20.52
US	8.59*
Russia	7.37*
Japan	1.96*
Hong Kong	1.80*
PRC	0.84
Taiwan	0.82*
Total World Average	**3.43**

** Refers to 2008*

(Source: Secondary Research conducted by Frost & Sullivan)

7. INDUSTRY OVERVIEW (CONT'D)

Figure 7-6: Per Capita Consumption of Selected Countries, 2009



(Source: Secondary Research conducted by Frost & Sullivan)

Average per capita wine consumption in the world was 3.43 litres in 2009. In PRC, there is much potential for growth in consumption, given the presence of key market drivers. For example, there are a large number of urban employees in PRC, estimated at 302.1 million in 2008. This augurs well for increased consumption of wine, as this segment of the market view wine drinking as a status symbol, and a specialty drink suitable for entertaining corporate clients.

Also, wine is generally perceived as being relatively healthier than spirits and this is expected to increase its popularity as consumers generally become more health-conscious. Increasing advertising and promotion activities, supported by a growing number of distribution channels and retail options such as specialist stores are key market drivers supporting growth in the Chinese wine market.

7.4 Overview of the Wine Industry in PRC

7.4.1 Wine Production Overview

Grape planting areas in PRC have grown exponentially since 1980. For example, in 1980 there were an estimated 32,600 hectares, which grew to 121,000 hectares in 1990 and later to 283,500 hectares of grape planting areas by 2000. In 2008, there were approximately 451,200 hectares of grape planting areas, a growth of 13.8 times compared to 1980, reflecting the growth and development that has taken place in PRC's grape and wine industry.

Figure 7-7: Grape Planting Areas in PRC (1980 to 2008)

Year	**Grape Planting Area**
	Hectares
1980	32,600
1985	87,500
1990	121,000
1995	148,700
2000	283,500
2001	334,400
2002	392,400
2003	421,000
2004	413,500
2005	408,100
2006	418,700
2007	438,400
2008	451,200

Note:-

*1 *One (1) hectare = 10,000 Sq m*

(Source: Secondary Research conducted by Frost & Sullivan)

Specific to its wine industry, the total coverage area of vineyards was estimated at 53,000 hectares in 2007. This figure grew by 18.2% to reach approximately 63,000 hectares in 2008. As the wine industry in PRC continues to grow, Frost & Sullivan estimates the total coverage area of vineyards in the country to reach 70,000 hectares by 2010, and 100,000 hectares by 2015.

In 2009, PRC produced approximately 960 ML of wine, which was a positive growth of 37.5% over the previous year. PRC's main producing regions for wine include five (5) provincial regions namely Shandong, Jilin, Hebei, Henan, and Tianjin. The largest producing region is Shandong with an estimated 280.6 ML in 2008.

Within the Shandong Province, Yantai-Penglai is well-known for its wine production and produced around 224.4 ML, or around 80% of Shandong's wine production in 2008. Due to favourable weather and soil conditions in Shandong, the province on its own currently produces approximately 40% of PRC's total wine output.

7.4.1.1 Overview of Yantai - Penglai

Yantai-Penglai is a region within the Yantai District of Shandong Province. Shandong is situated in the east coast of PRC, and Yantai is on the northeast coast of the Shandong Peninsula. Specifically, Yantai-Penglai is situated in the most northern part and in the centre of mainland Yantai. Yantai-Penglai has a population of approximately 460,000 people, and a total land area of 1,128.5 square km and 86 km coastline. The top five (5) industries in Yantai-Penglai include wine and grape production, tourism, construction, gold mining, and ship/ boat-building.

Yantai-Penglai, also known as the "Bordeaux in PRC", is arguably the best wine-producing region in PRC. It is the most centralised and prosperous domestic raw material base and winery location in PRC. Many famous brands such as Ouhua, Changyu, Dynasty, Great Wall, Suntime, Huadong Parry Chateau, and Shangri-La Winery have successively set up vineyards, bulk wine producing bases and bottling centres here.

Yantai-Penglai has excellent natural conditions for growing grapes and developing the wine-making industry. Yantai-Penglai's optimal weather and soil conditions have made it one of the world's seven "grape coasts" within the global wine industry. This results in among the highest quality grapes in PRC. Our vineyards are located in the Yantai-Penglai area, thus we benefits from these conditions, which also sets it apart from some of our competitors.

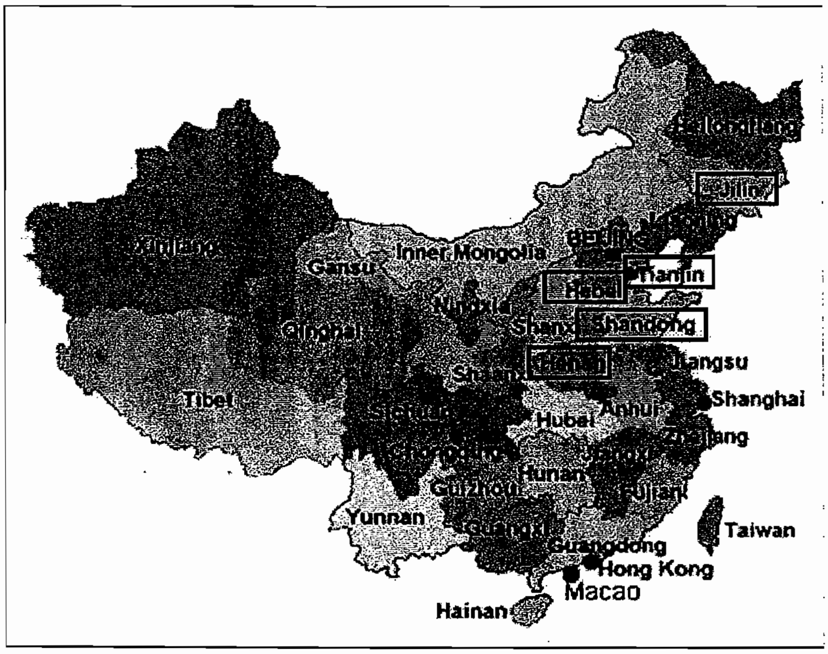
Over the years, there have been an increasing number of joint ventures between western and Chinese wine companies. These foreign wine-makers are aware of the location advantage and suitability for grape growing in regions like Yantai-Penglai. For example, the French multinational company Pernod Ricard helped to create Dragon Seal in 1987, while Seagrams and Remy Martin have set-up similar joint ventures. Domaines Barons de Rothschild, owners of the established "Chateau Lafite" label, is a global winemaker that has also set-up a joint venture to develop a vineyard in Yantai-Penglai. Such efforts undertaken by established foreign players are testimony to the good climate and soil conditions in the area.

7.4.1.2 Climate and Soil Conditions

Climate condition is the most important factor that contributes to the quality of grapes produced. These grapes which will be used to make wine require adequate sunshine, suitable rainfall during the "growth" season, consistent air temperature, and little rainfall in the "harvest" season. The Yantai-Penglai region fulfils these climate requirements. Stretching into Bohai Bay and surrounded by the Shandong Peninsula and the Liaodong Peninsula, its coastal location gives it a moderate climate with no extreme temperatures during summer or winter months. In summer, there is little rainfall, which is important to allow the grape a long mature period (i.e. usually requires two months of maturing period with little rainfall).

The types of soil in Yantai-Penglai include brown soil, drab soil, humid soil and sandy soil. The main type of soil is brown soil, making up 78% of total soil in the area. Soil conditions are an important factor to ensure quality grapes are produced; the soil in Yantai-Penglai has rich mineral content (phosphorus, potassium and iron), which makes it ideal for grape growing.

Figure 7-8: Top Five (5) Wine Producing Provinces in PRC, 2008



Note:-

*1 *Top five (5) wine producing provinces are highlighted in bracket, and include Shandong, Jilin, Hebei, Henan and Tianjin*

(Source: Secondary Research conducted by Frost & Sullivan)

By production volume, the second largest producing wine region in PRC is Jilin with around 108 ML. This is followed by Hebei, Henan and Tianjin with estimated 95.8, 71.3 and 42.3 ML each respectively. Cumulatively, the top five (5) regions produced approximately 598.2 ML or 85.6% of PRC's total wine production in 2008. The remaining 14.4% or 100.1 ML is produced by other regions throughout the country.

*Figure 7-9: Production Volume in the Top Five (5) Wine Producing Regions (PRC), 2008**1

Region/ Province	Estimated Production Volume	Percentage
	ML	%
Shandong	280.6	40.19
Jilin	108.0	15.48
Hebei	95.8	13.72
Henan	71.3	10.22
Tianjin	42.3	6.06
Others*2	100.1	14.40
Total (PRC)	**698.3**	**100.0**

Notes:-

*1 *Production volume by region has been annualized, based on available data for first 11 months of 2008*

*2 *Others include Xinjiang, Gansu and Yunnan, amongst others*

(Source: Secondary Research conducted by Frost & Sullivan)

According to PRC Alcoholic Drinks Association, there were an estimated 165 enterprises producing wine in 2008, with total revenues of approximately RMB20.2 billion. Shandong province had the largest number of enterprises at 51, which generated revenues of around RMB12.8 billion, representing 63.8% of total revenues in PRC's wine producing industry.

In terms of number of enterprises, Jilin came in second place with a total of 22 enterprises recording estimated sales of RMB1.2 billion, or 6.0% of total revenues in 2008. This was followed by Hebei, Henan and Tianjin. In Hebei, 21 enterprises generated sales of approximately RMB1.9 billion or 9.1% of total revenues. Henan province had 18 enterprises with sales of around RMB930.1 million or 4.6% of total revenues. Tianjin, with five (5) enterprises produced estimated revenues of RMB1.2 billion or 5.9% of total revenues.

Cumulatively, the top five (5) regions had a total of 117 enterprises generating sales revenues of around RMB18.0 billion. This represented 89.5% of total industry revenues in 2008.

Figure 7-10: Number of Enterprises and Sales Revenues in the Top Five (5) Wine Producing Regions (PRC), 2008[*1]

Area	No. of Enterprise	Estimated Sales Revenue	Percentage
		RMB'billion	%
Shandong	51	12.90	63.79
Jilin	22	1.22	6.05
Hebei	21	1.85	9.14
Henan	18	0.93	4.60
Tianjin	5	1.19	5.89
Others[*2]	48	2.13	10.53
Total (PRC)	**165**	**20.22**	**100.00**

Notes:-

*1 *Sales revenue by region has been annualized, based on available data for first 11 months of 2008*

*2 *Others include Xinjiang, Gansu and Yunnan, amongst others*

(Source: Secondary Research conducted by Frost & Sullivan)

7.4.2 Industry Dynamics

7.4.2.1 Dependence on other Industries

The production of wine requires both machines and human labour. The dominant use of either resource depends largely on the size and type of production facility - larger companies are likely to utilise automated machinery while smaller companies may be more labour intensive.

The wine market in PRC is dependent on grapes, which is the key raw material necessary to make wine. In PRC, some of the leading players in the market like Changyu and our Company have own vineyards to ensure consistent supply and better quality control of the grapes used to make wine.

7.4.3 Industry Risks and Challenges

7.4.3.1 Natural Disasters and Floods

Natural disasters pose high risks and challenges to wine producers. For instance, in May 2008, Sichuan Province experienced an earthquake, which had a negative impact on several businesses. Similarly, poor weather conditions and floods may damage vineyards and result in short supply of wine. However, it is noted that the main wine producing regions in PRC, including our vineyards in Yantai (in Shandong Province) are not located in earthquake and flood prone regions, thus mitigating this risk.

7.4.3.2 Growing presence of imported wine

As PRC continues to open its economy in line with World Trade Organisation commitments, lower tariffs on imported wine are increasing the availability of popular foreign brands in the Chinese market. According to PRC Wine News, imported wine doubled in 2008, especially within middle and high-end wine. Given the vast potential in the market, foreign players are quickly expanding into PRC, where rising disposable income amongst middle and upper class Chinese is rapidly taking place following economic prosperity.

As PRC's economy continues to grow rapidly, its currency the "RMB" has also appreciated. In turn, this has helped to increase consumer purchasing power and made foreign wine more competitive in the marketplace versus local brands. Companies like our Company which carry foreign wine labels (in addition to their own brand) are expected to benefit from this.

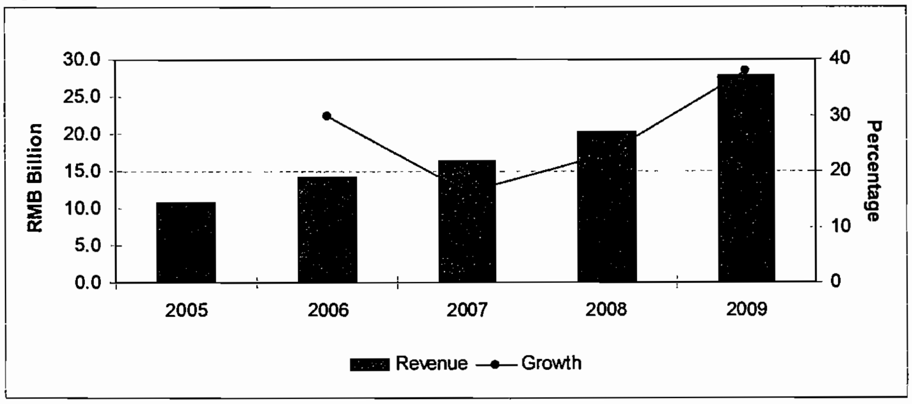
While the presence of imported wine benefits the consumer in terms of choices, domestic players, particularly those offering mid to high-end brands, will face stiffer competition in the coming years from foreign brands. However at present, imported wine constitute only between 7% and 11% (over the last three (3) years) of the total wine market size in PRC, thus mitigating this risk to a large extent.

7.5 Future Outlook

7.5.1 Market Size and Growth Forecast

The wine market in PRC is undergoing rapid changes with both foreign and domestic players offering a wide range of brands, custom-made packaging, increased advertising and promotion activities, and wider distribution channels throughout the country. The wine market in PRC was estimated at RMB28.27 billion in 2009, an increase of 37.7% over the previous year. In 2007 and 2008, the market size was estimated at RMB16.45 billion and RMB20.22 billion respectively. Thus, the CAGR during this period (2005-2009) stood at 26.5%.

Figure 7-11: Market Size for the Wine Market PRC), 2005-2009



Year	Sales Volume	Sales Volume Growth	Revenue	Revenue Growth Rate
	ML	%	RMB'Billion	%
2005	483.9	-	10.89	-
2006	605.6	25.1	14.14	29.8
2007	802.8	32.6	16.45	16.3
2008	857.5	6.8	20.22	22.9
2009	1,127.2	31.5	28.27	37.7

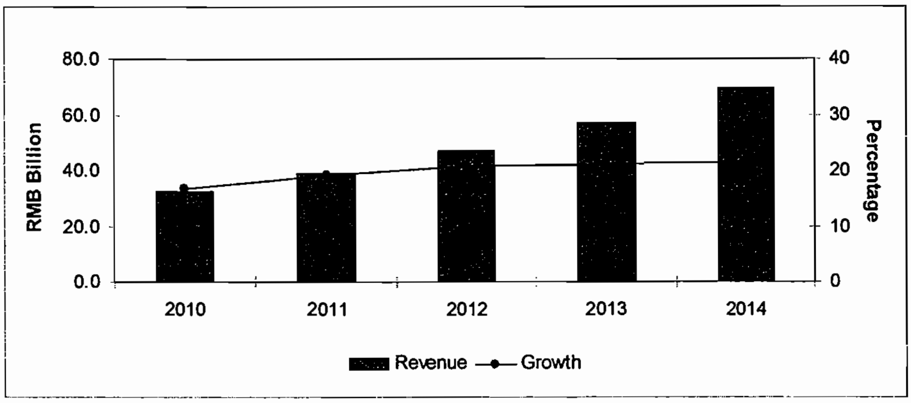
CAGR for Sales Volume (2005- 2009): 23.5%
CAGR for Revenues (2005- 2009): 26.5 %

(Source: Secondary Research conducted by Frost & Sullivan)

The wine industry in PRC was valued at approximately RMB28.27 billion in 2009 and is estimated to reach RMB69.21 billion by 2014, growing at a CAGR of 20.7% during the period 2010 to 2014.

The wine industry was affected by the global economic crisis in 2008, resulting in slower growth in volume consumption, although revenues increased more substantially due largely to the higher prices of imported wine. These higher prices were caused by the high oil prices in 2008, resulting in higher transportation costs. With the recovery of the global economy, and stability of oil prices in 2009, wine consumption grew substantially in 2009 and is expected to continue its high growth during the remainder of the forecast period up to 2014. Sales volume is estimated to exceed 2,000 ML in 2014.

Figure 7-12: Market Forecast for the Wine Market (PRC), 2010-2014



Year	Sales Volume	Sales Volume Growth	Revenue	Revenue Growth Rate
	ML	%	RMB'Billion	%
2010	1,166	10.5	32.56	16.9
2011	1,341	15.0	38.84	19.3
2012	1,632	21.7	46.96	20.9
2013	1,981	21.4	56.91	21.2
2014	2,390	20.6	69.21	21.6

CAGR for Sales Volume (2010- 2014): 19.6%
CAGR for Revenues (2010- 2014): 20.7%

(Source: Secondary Research conducted by Frost & Sullivan)

7.5.2 Trends in Wine Consumption

The main types of alcoholic beverages in PRC include beer, PRC Spirit (i.e. Chinese white liquor or "baijiu"), grape wine and non-grape wine e.g. yellow wine. In general beer, PRC Spirit and yellow wine are popular alcoholic beverages as they cater to the mass market in terms of pricing and are well established among the local population. The lower consumption of grape wine as compared to other alcoholic beverages was due mainly to dietary habits and traditional culture. Grape wine has growing appeal particularly among urban Chinese consumers in the mid to high-end market segment, who see it more as a specialty drink.

7. INDUSTRY OVERVIEW (CONT'D)

Figure 7-13: Comparison in Consumption of Alcoholic Beverages in PRC (2001-2008)

Consumption ML	2001	2002	2003	2004	2005	2006	2007	2008	CAGR (2001-2008) %
Beer	22,209	23,937	25,305	28,990	31,769	34,996	39,130	40,817	9.08
PRC Spirit*1	4,195	3,223	3,273	3,195	3,464	4,084	4,887	5,663	4.38
Grape Wine	282	318	383	432	484	606	803	858	17.20
Yellow Wine*2	N/A	N/A	N/A	N/A	N/A	2,170	2,270	2,521	7.80

Notes:-

*1 *Refers to Chinese white liquor ("Baijiu")*

*2 *Refers to yellow wine brewed from rice, millet, wheat, etc ("Huangjiu"); CAGR is for 2006-2008*

(Source: Secondary Research conducted by Frost & Sullivan)

i. Volume

In terms of volume, beer was the most consumed alcoholic beverage in PRC in 2008, with 40,816.5 ML. This was followed by PRC Spirit with 5,663.4 ML, Yellow Wine with 2,520.7 ML, and grape wine with 857.5 ML (2009: 1,127.2 ML).

ii. Growth Trends

Grape wine recorded the highest CAGR at 17.2% from 2001 to 2008, significantly outstripping beer (9.08%), PRC Spirit (4.38%) and Yellow Wine (7.80% between 2006 and 2008). The comparatively higher growth trend demonstrates that grape wine is the fastest growing alcoholic beverage segment in PRC, reflecting its increasing popularity amongst consumers in PRC and its gradual preference over more traditional alcoholic beverages.

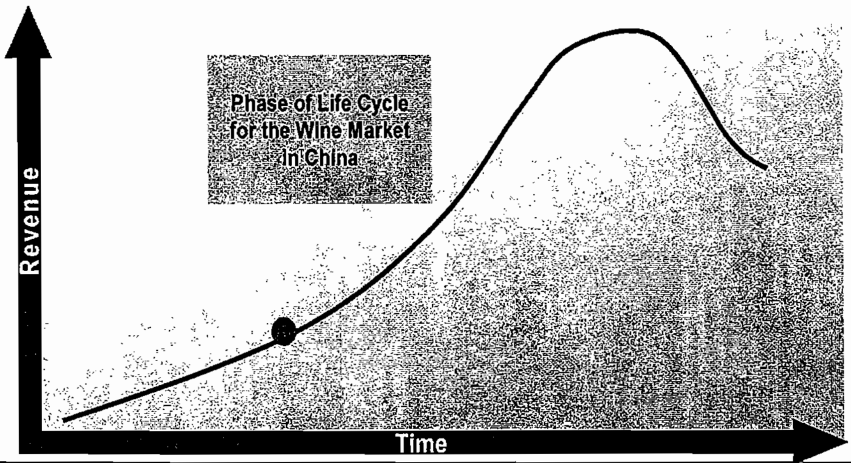
Average per capita wine consumption in the world was 3.43 litres in 2009. Comparatively, the rate of wine consumption among the Chinese in the PRC remains highly under-penetrated at 0.84 litres per capita in 2009. Supported by its large population size that is growing in affluence (as a result of rapid economic development in the country) along with other market drivers, Grape wine is expected to continue gaining popularity and acceptance amongst Chinese consumers.

7.6 Industry Players and Competition

7.6.1 Industry Lifecycle

Frost & Sullivan identifies the overall wine industry in PRC at the early phase of the growth stage in the industry lifecycle. At this stage, there is an increase in the number of players, as seen by new local and foreign wine brands entering the market. There is strong competition amongst market players to establish market share. At the same time, leading wine players are beginning to increase their product offering choices in order to meet varying consumer preferences.

Figure 7-14: Industry Lifecycle in the Wine Industry in PRC, 2008



	Introduction	Growth	Maturity	Decline
Users/ buyers	Few – Trial of early adopters	Growth adopters – trial of product/ service	Growing selectivity of purchase	Saturation of users Drop-off in usage
Competitive Conditions	Few	Entry of competitors Fight for market share Undifferentiated products/services	Likely price cutting for volume gain Shake-out of weakest competitors	Fight to maintain share Difficulties in gaining/taking share Emphasis on efficiency/low cost Exit of some competitors

(Source: Frost & Sullivan)

7.6.2 Industry Landscape

The competitive structure of the wine industry in PRC is not fragmented by PRC standards. In many retail as well as agricultural sectors in PRC, it is common to have thousands of industry players in existence, with company sizes varying from the very small proprietorships to large public listed enterprises. The wine industry in PRC, however, does not share this characteristic. According to the PRC Alcoholic Drinks Industry Association, the total number of active producers in 2008 stood at around 165 players. From this, the majority was local companies, with joint venture or foreign-owned companies in PRC estimated at around ten (10) players. The relatively small number of industry players is another indication that this is a young industry in the early stages of growth.

The industry landscape can be segmented into two tiers: mid to top tier and low tier companies. Mid to top tier companies are defined as those earning revenues greater than around RMB100 million. The low tier section includes industry players with revenues less than RMB100 million.

Figure 7-15: Wine Market: Players (PRC), 2009

Tier	Range of Revenues	Estimated No. of Players	Cumulative Shares %
Mid to Top – Tier	More than RMB100 million	9	44.7
Low – Tier	Less than RMB100 million	156	55.3
	Total	**165**	**100**

(Source: Frost & Sullivan)

In 2009, there were nine (9) players in the mid to top tier category, with cumulative market share of 44.7%. Among these players, four (4) companies had sales greater than RMB1 billion each, namely: Changyu Pioneer Wine Company Limited, COFCO Wines & Spirits Co Ltd, Sino-French Joint-Venture Dynasty Winery Ltd and Yantai Weilong Grape Wine Co Ltd.

The remaining five (5) companies in the mid to top tier category earned revenues below RMB1 billion, but above RMB100 million each. Namely, these were: Huadong Winery, China Tontine Wines Group Limited, our Company, Suntime International Wine Industry Co Ltd and Gansu Mogao Industrial Development Co Ltd.

Meanwhile, the majority of industry players fell in the low tier category. Specifically, 156 players with cumulative market shares of 55.3% fell in this group. None of the low tier companies had individual market shares greater than 0.5%.

7.6.3 Key Industry Players

The top ten (10) industry players in the wine market in PRC have an accumulated share of approximately 45%. These players are all listed directly or are subsidiaries of listed companies, save for Yantai Weilong Grape Wine Co. Ltd. and our Company.

Figure 7-16: Key Industry Players of the Wine Market in PRC, 2009

No.	Key Industry Players	Stock Exchange	Ultra High-End (>RMB800)[*1]	High-End (RMB300-800)[*1]	Medium-End (RMB50-300)[*1]	Low-End (RMB10-50)[*1]
1	Yantai Changyu Pioneer Wine Company Limited	Shenzhen Stock Exchange	X	X	X	X
2	COFCO Wines & Spirits Co Ltd	Hong Kong Stock Exchange[*2]	X	X	X	X
3	Sino-French Joint-Venture Dynasty Winery Ltd.	Hong Kong Stock Exchange[*3]	X	X	X	X
4	Yantai Weilong Grape Wine Co.,Ltd.	-	X	X	X	X
5	Qingdao Huadong Winery	Paris Stock Exchange[*4]		X	X	X
6	China Tontine Wines Group Limited	Hong Kong Stock Exchange			X	X
7	China Ouhua Winery Holdings Limited	-	X	X	X	
8	Suntime International Wine Industry Co., Ltd.	Shanghai Stock Exchange[*5]	X	X	X	
9	Gansu Mogao Industrial Development Co Ltd	Shanghai Stock Exchange	X	X	X	X
10	Tonhwa Winery Ltd.	Shanghai Stock Exchange[*6]	X	X	X	X

Notes:-

*1 *Price range provided refers to price per bottle of 750ml*

*2 *COFCO Wines & Spirits Co Ltd is a subsidiary of China Foods Limited*

*3 *Sino-French Joint-Venture Dynasty Winery Ltd. is a subsidiary of Dynasty Fine Wines Group Limited*

*4 *Qingdao Huadong Winery's joint venture partner, Hiram Walker Wines & Spirits (HK) Ltd is a subsidiary of Pernod Ricard SA*

*5 *Suntime International Wine Industry Co., Ltd was acquired by CITIC Guoan Group Corp, and is now listed as CITIC Guoan Vine Company Limited*

*6 *Tonhwa Winery Ltd. is listed as Tonghua Grape Wine Co., Ltd*

(Source: Secondary Research conducted by Frost & Sullivan)

A brief description each of the key industry players are set out below:-

i. **Yantai Changyu Pioneer Wine Company Limited ("Changyu")**

Changyu is a large corporation operating in a wide variety of businesses. The company has expanded from its wine business into areas like development of health-aiding wine, herbs, processing of liquor and alcohol, importing and exporting, and packaging. Its products are sold throughout PRC and over 20 countries and regions in the world, such as the US, the Netherlands, Belgium, Korea, Singapore, Malaysia, Thailand, and Hong Kong.

The company has maintained a track record of steady growth for over a century, since it was established by a well-known overseas Chinese merchant, Mr. Chang Bishi, in 1892. Changyu has been the largest operator in PRC's wine industry, and garnered a market share of 13.5% in 2008, outranking its two major competitors Dynasty and COFCO.

ii. **COFCO Wines & Spirits Co Ltd ("COFCO")**

COFCO is an integrated operator and provider of various types of liquor. The company's product best-known brand, namely "Great Wall" was the official wine of the Beijing 2008 Olympic Games.

COFCO produces grape wine and rice wine, among others. Three (3) of their wine production enterprises, namely China Great Wall Wine Company, COFCO China Great Wall Wine Co. Ltd and COFCO Great Wall Wine (Yantai) Co. Ltd are located in the three (3) major grape production regions in PRC, namely, Shacheng and Changli in Hebei Province, and Yantai in Shandong Province. The company's "Great Wall" brand of wine has ranked among the top three (3) wine brands in PRC in terms of annual sales volume and market share for many years consecutively.

iii. **Sino-French Joint-Venture Dynasty Winery Ltd ("Dynasty")**

Established in 1980, Dynasty is a Chinese-foreign joint venture set-up in PRC. It was established by the Chinese Government in partnership with leading French brandy producer, France Remy Martin International Holding Group Limited.

In 1980, Dynasty produced 100,000 bottles of wine. By 1998, the company became the largest wine producer in Asia, with over 22.46 million bottles of wine and brandy produced. However they are no longer the largest wine producer in Asia as they have been taken over by Changyu and Great Wall. In 2007, total production of wine and brandies reached 54 million bottles. In 1996, Dynasty obtained the ISO9002 certificate. In 2000, the company obtained both the ISO9001:2000 and ISO14001.

The company exports its wine and brandies to over twenty countries and regions including US., Canada, United Kingdom, Germany, France, Swiss, Denmark, Sweden, Finland, Iceland, Japan, Singapore, Malaysia, Hong Kong and Macao. On 26 January 2005, the company was successfully listed on the Main Board of The Hong Kong Stock Exchange.

iv. **Yantai Weilong Grape Wine Co. Ltd ("Yantai Weilong")**

Yantai Weilong has a wine production capacity of approximately 60,000 tonnes per year. It produces over 60 kinds of alcoholic beverages that are made up of four (4) main categories including Dry Wine, Sparkling Wine, Brandy and Sweet Wine ("Half Dry Wine").

The company's wine is sold in over 30 provinces and regions throughout PRC, and it has received eight National Excellent Quality Products to-date. Its flagship wine includes the Yantai Weilong Grape Wine and Grand Dragon Weilong Xian Zhi Red Wine.

v. **Qingdao Huadong Winery Co. Ltd ("Qingdao Huadong")**

Qingdao Huadong was established in 1985 as a joint venture company and owns a European-styled vineyard in PRC known as the Chateau Huadong-Parry. Its joint-venture partner is Hiram Walker Wines & Spirits (HK) Ltd., a subsidiary of the British Allied Domecq Group. Qingdao Huadong is now part of the Qingdao State-Owned Assets Yiqing Holdings Limited. Its products are exported to France, the US, Denmark, Norway, Hong Kong and more than 15 other countries.

In October 1996 the company achieved the ISO9002 international quality system certification. Among Qingdao Huadong's well known wine are the Huadong Riesling Dry White Wine, Huadong Chardonnay Dry White Wine and Huadong Cabernet Sauvignon Dry White Wine.

vi. **China Tontine Wines Group Limited ("China Tontine")**

China Tontine is one of the leading wine producers in the PRC, with its signature wine produced from the indigenous vitis amurensis variety of grapes (colloquially referred to as "mountain grapes") grown in vineyards at the foothills of the Changbai mountain range near Ji'An City, Jilin Province, the PRC.

All its wine products, specifically sweet and dry wine, are sold under the "Tongtian" and "Tongtian Hong" labels in 19 provinces and three (3) municipal cities in the PRC through its sales network and distribution channels of 71 distributors.

vii **Ouhua**

Our history can be traced back to 1997 with the incorporation of YO Winery which was principally involved in the production and sales of wines. YO Winery had subsequently ceased operation in 2002. Thereafter, Ouhua PRC was established as a sino-foreign joint venture enterprise 2002 to carry out business of production and distribution of wines.

We are located in South Yantai city in Wolong Foreign Investment and Development Area. We currently operate two (2) vineyards, namely the Haitou Vineyard and Huiwen Vineyard.

We produce red and white wine which is distributed for sale under our flagship Fazenda Ohua Wine labels. In addition, we also offer a variety of International Wines which are produced from wine materials of French, Australian, Spanish, Chilean and German origin

After more than ten (10) years in the business, we have built a strong brand name in several regions in PRC such as Fujian and Jiangsu provinces. We currently have 113 Fazenda Ohua specialty stores. Moving forward, it aims to open 200 Fazenda Ohua specialty stores by the end of 2011 to enhance our distribution network and market reach. We were the first player in the wine industry in PRC to establish specialty wine stores as a mode of distribution on a large scale.

viii. **Suntime International Wine Industry Co., Ltd. ("Suntime")**

Suntime was established in 1998. It has wine-making equipment imported from France, Italy, the US, Germany and Switzerland. The company has established Shanghai as its centre of operations, and has sales branches and marketing offices in Beijing, Shanghai, Shenzhen, Chengdu and Xi'an.

The company has developed numerous high-end wine and brands. Since 2000, Suntime has received several awards in international wine competitions. In April 2005, Suntime Cabernet Sauvignon 2002 Dry Red Wine won PRC's Western Region "Brussels 2005 International Wine Competition" award.

ix. **Gansu Mogao Industrial Development Co Ltd ("Mogao")**

Mogao was founded in 1999. Its main products include wine, beer, barley malt, liquorice products and alfalfa grass products.

Mogao currently owns two (2) grape planting bases and has a capacity 25,000 tonnes of a variety of wine annually. In September 2008 at the Yantai International Wine Competition, Mogao Wine was awarded "PRC's Top Ten Most Valuable" alcoholic beverage brand.

x. **Tonhwa Winery Ltd. ("Tonhwa")**

Tonhwa was founded in 1937, and has over 70 years of wine-making experience. It is one of PRC's oldest wineries and Tonhwa wine is exported to 36 countries worldwide.

Since 1960, Tonhwa wine has been rated as premium wine at provincial, ministerial and state levels. It has won more than 50 awards in recognition of its high-quality wine products. In 2002, Tonhwa received "PRC Famous Brand" and "Original Protection Mark" granted by the central Chinese Government. Tonhwa received the ISO9001 certification in the same year, and in 2003, it achieved the ISO14001 certificate. In 2004, Tonhwa received "PRC Well-Known Brand" from the State Trademark Bureau.

7.6.4 Market Share

The market share of the leading wine industry participants in PRC in 2008 depicts a consolidated market for the mid to top tier segment and a more fragmented one for the low tier category.

The leading player in the Chinese wine industry in 2008 was Changyu Pioneer Wine Company Limited with an estimated 13.5% market share. This was followed by COFCO Wines & Spirits Co Ltd with approximately 12.2% market share. Sino-French Joint-Venture Dynasty Winery Ltd and Yantai Weilong Grape Wine Co Ltd each had market shares of around 5.2 %and 4.9%, respectively.

Another five (5) companies in the mid to top tier category include Huadong Winery, China Tontine Wines Group Limited, our Company, Suntime International Wine Industry Co Ltd and Gansu Mogao Industrial Development Co Ltd.

The market share of the industry players was computed based on the revenue of each player derived from the sales of grape wine. Some of the industry players are also involved in the production and/ or sales of other types of wine and beverages (e.g. rice wine, spirits, etc) - the estimated revenues from such products have been excluded from the computation and this was achieved through interviews with the relevant players.

The revenues from grape wine for each of the key industry players were then divided by the total market size for grape wine to arrive at the market share.

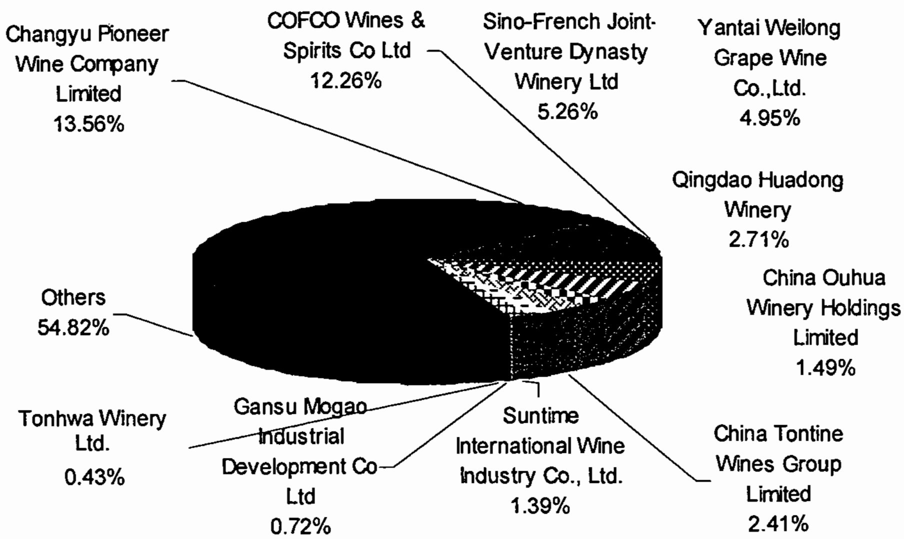
Specifically, our Company had an estimated market share of 1.49%. Following increased marketing and promotional efforts of its wine, our sales have grown over the years, increasing its market share from 0.67% in 2006 and 1.09% in 2007 respectively, to its current 1.49% in 2008.

Figure 7-17: Market Share in the Wine Industry (PRC), 2008

No.	Key Industry Players	Brands	Market Share %
1	Changyu Pioneer Wine Company Limited	Changyu	13.56
2	COFCO Wines & Spirits Co Ltd	Great Wall	12.26
3	Sino-French Joint-Venture Dynasty Winery Ltd.	Dynasty	5.26
4	Yantai Weilong Grape Wine Co.,Ltd.	Weilong	4.95
5	Qingdao Huadong Winery	Huadong Winery	2.71
6	China Tontine Wines Group Limited	Tongtian, Tongtian Hong	2.41
7	China Ouhua Winery Holdings Limited	Ohua	1.49
8	Suntime International Wine Industry Co., Ltd.	Suntime	1.39
9	Gansu Mogao Industrial Development Co Ltd	Mogao	0.72
10	Tonhwa Winery Ltd.	Tonhwa	0.43
	Others	-	54.82
	Total		**100.00**

(Source: Secondary Research conducted by Frost & Sullivan)

Figure 7-18: Estimated Market Share in the Wine Industry (PRC), 2008



Note:-

*1 *Others include approximately 156 small wine players in PRC*

(Source: Secondary Research conducted by Frost & Sullivan)

7.6.5 Ouhua: Competitive Advantage and Strengths

Wine can only be grown and cultivated in certain regions, where both the climate and soil are conducive. Our Company has the geographical advantage of being located in Shandong Province, one of the most suitable climates for growing grapes in PRC. Due to favourable weather and soil conditions, Shandong currently produces approximately 40% of PRC's wine output. We are located in Yantai-Penglai (within Shandong Province) which is the basin for the Chinese wine industry, producing around 224.4 ML or around 80% of Shandong's wine production in 2008.

Our Company was the first company to introduce Fazenda Ohua specialty stores on a large scale to promote and market its wine, including our flagship label "Fazenda Ohua" as well as other international brands. Such Fazenda Ohua specialty stores are a unique marketing tool and distribution channel as they are able to prominently display our Company's brand and image. At the same time, consumers enjoy value-added services such as wine tasting and can learn more about wine while in the store. Another benefit of Fazenda Ohua specialty stores is that consumers are assured the wine are genuine and not counterfeit products with any compromise in quality. The success of this distribution model has led other competitors, including several larger ones, to follow suit. With this, our Company has pioneered a move within the industry and should reap any first mover advantage it brings.

7.7 Reliance on and Vulnerability to Import

There is no immediate reliance on imports, with approximately 90% of wine produced in PRC being consumed domestically. Foreign entrants and imported wine are expected to increase their presence following easing of tariffs on imported wine. In large cosmopolitan cities like Shanghai, urban wine drinkers are becoming more sophisticated in their selection of wine stemming from greater awareness and rising disposable income.

According to PRC Wine News, imported wine doubled in 2008, especially within middle and high-end wine. Still, local players dominate the overall Chinese wine market and this trend is expected to continue given the large size of the local market. Furthermore, as locally-produced wine is generally lower-priced than imports and cater to the general mass market; the demand for locally-made wine is not expected to diminish. Ouhua carries both local and foreign wine, and this product mix enables it to provide an expansive offering to consumers.

7.8 Drivers of Growth

Some of the drivers of growth for the grape wine industry are described in Section 7.9 below.

7.9 Demand and Supply Conditions

7.9.1 Supply and Demand

7.9.1.1 Market Drivers

The market drivers and its impact on the wine market in PRC have been ranked in order of importance from 2009 to 2014.

Figure 7-19: Wine Market: Drivers Ranked in Order of Impact (PRC), 2009-2014

Rank	Driver	2009-10	2011-12	2013-14
1	Growing affluence and rising purchasing power	Medium – High	High	Very High
2	Increasing advertising and promotions for wine consumption	Medium – High	Medium – High	High
3	Wine perceived as relatively healthier than hard liquor	Low – Medium	Medium	High
4	Increasing distribution channels and retail options	Low	Medium	High

(Source: Frost & Sullivan)

i. **Growing affluence and rising purchasing power**

According to the National Bureau of Statistics of PRC, the number of employed persons in PRC reached 774.8 million in 2008. From this, the number of urban employees was estimated at 302.1 million. In PRC's fast growing economy, there is a growing middle and upper class population with rising disposable income, which seeks avenues for entertainment and relaxation. In turn, these activities increase the demand for alcoholic beverages including wine.

During the period of 2000 to 2008, the per capita annual disposal income of urban households increased from approximately RMB6280 (USD758.5) to RMB15,781 (USD2,310.6) while the per capita annual net income of rural households increased from RMB2,253.4 (USD272.2) to RMB4,761 (USD697.1) during the same period. The growing affluence of the Chinese population has led to increased levels of education and foreign exposure, and provided for higher sophistication and appreciation of wine consumption. This, along with rising purchasing power, has increased the demand for wine in the Chinese markets.

ii. **Increasing advertising and promotions for wine consumption**

Of late, various advertising and promotional activities have been launched to position wine as a beverage suitable for personal and social consumption, as well as business entertainment. Advertisers have even incorporated responsible messages educating consumers on appropriate wine intake in their advertisements.

Reportedly, leading wine player Changyu spent approximately 11% of its revenues in 2008 on adverting and promotions, making it one of the largest alcohol advertisers in PRC. This was followed by Great Wall and Dynasty spending around 6.5% and 8.6% each respectively. Increased advertising and promotions on wine has led to greater awareness amongst the public, which augurs well toward future growth in the wine markets.

iii. Wine perceived as relatively healthier than hard liquor

Wine derives certain advantages from being perceived as a healthy form of alcoholic beverage. Market players are embarking on extensive educational campaigns promoting the health benefits of wine, and its ability to reduce the risk of heart disease and degenerative neurological disorders such as Alzheimer's and Parkinson's Disease[1] The perception that wine is better for health[2] compared to other alcoholic drinks is leading to greater acceptance of wine for casual dining, festive celebrations and business functions. In turn, this is helping to foster positive growth in the wine markets.

iv. Increasing distribution channels and retail options

Of late, market players find that specialist wine stores are an effective avenue to make wine drinking more popular and accessible to consumers. This is because specialist stores help to raise the brand profile of selected wine through promotions and point-of-sales materials. In addition, the relaxing environment created for patrons in specialty stores appeal to urban professionals, which are a key target market. Ouhua was the first company to introduce specialty stores on a large scale to promote and market its wine. The growth in number of specialist wine stores in PRC is helping to increase awareness and appreciation of wine drinking, which in turn is boosting growth in the markets.

7.9.1.2 Market Restraints

The restraints and its impact for the wine market in PRC have been ranked in order of importance from 2009 to 2014.

Figure 7-20: Wine Market: Restraints Ranked in Order of Impact (PRC), 2009-2014

Rank	Restraint	2009-10	2011-12	2013-14
1	Cheaper Alternatives to Wine	Low	Medium	Medium

(Source: Frost & Sullivan)

[1] *Research study conducted by French National Institute for Health and Medical Research (INSERM)*
[2] *Lindberg, Matthew L.; Ezra A. Amsterdam (2008). "Alcohol, wine, and cardiovascular health." Clinical Cardiology 31 (8): 347–51. doi:10.1002/clc.20263. PMID 18727003*

i. Cheaper Alternatives to Wine

There are numerous other alcoholic beverage alternatives, such as beer and rice wine that are less expensive compared to wine. These cheaper alcoholic beverages are especially popular with lower income consumers who are unable to afford higher-priced wine. This may pose a restraint on the growth of the wine market in PRC, particularly in the rural areas.

7.9.2 Supply Dependencies

7.9.2.1 Steady supply of raw materials for production

Grapes are the main raw material used to produce wine. These are grown in certain provinces in PRC where the climate and soil is favorable to grow grapes. In the future, a supply shortage is possible should demand exceed capacity, driven by high growth in the consumption of wine. Leading players in the market like our Company which have our own vineyards have better control over the supply and quality of grapes for manufacturing, which provides us a competitive advantage over other players that do not have their own vineyards and need to source grapes externally.

7.9.2.2 Dependency on labour

The wine market in PRC is dependent on grapes, which is the key raw material necessary to make wine. The growth, cultivation and harvesting of grapes requires a steady supply of labour to ensure its consistent supply. The Yantai-Penglai region where our Company has our vineyards is famed for grape and wine production. Also known as the "Bordeaux in China", grape and wine production is a key industry in Yantai-Penglai, where there is a steady supply of labour.

7.9.3 Demand Dependencies

As described in the market drivers and restraints outlined in Sections 7.9.1.1 and 7.9.1.2 above.

7.10 Threat of Substitute Products

The presence of substitute products can lower the market attractiveness and profitability because they limit price levels. The threat of substitutes depends on:-

- buyers' willingness to substitute
- relative price and performance of substitutes
- cost of switching to substitutes

Wine consumption as an alcoholic beverage is based largely on personal preference and choice. Based on this, product substitutes available within the wine category include non-grape based wine like barley, rice and fruit wine. Other alcoholic beverage substitutes include beer and spirits.

Rice wine, Yellow Wine and beer are popular alcoholic beverages as they cater to the mass market and are well established. However, other non-grape wine is not as sought after as wine in the Chinese market, as grape wine is seen as a specialty drink preferred by mid to high-end consumers.

7.11 Barriers to Entry

7.11.1 Established local brands

Branding plays an important role in any consumer decision-making process, including choice of wine. Established brands in PRC's wine industry like Changyu, Dynasty and our Company are well-known amongst Chinese consumers, as these companies have invested heavily in advertising and promotional activities. As these established brands continue to enhance our image and position in the market, they form a barrier to entry for potential entrants to the market.

7.11.2 High Capital Costs

Leading players in the market are well-integrated in all phases of the value chain, from owning of vineyards to grow grapes, manufacturing facilities for production, and distribution activities. Established brands in the Chinese wine market such as us have set-up specialty stores as part of our distribution channels. Such specialty stores are a unique marketing tool as we are able to prominently display our Company's brand and image. As high capital costs are required for the above, we form a barrier to entry to potential entrants to the market.

7.12 Relevant Laws and Regulations/ Government Policies and Incentives

7.12.1 National Grape Wine Standard

To control the quality of wine, the National Grape Wine Standard was first introduced as an optional standard by the General Administration of Quality Supervision, Inspection and Quarantine (PRC) and the Standardization Administration of the PRC. It was revised in 2006 and later became a mandatory standard nationally (GB 15037-2006) in January 2008.

This new standard provides limitations on wine production, namely:-

- **Production restriction.** Each hectare in a vineyard is only allowed to produce 750 kilograms to 1,500 kilograms of grapes per season. The objective is to control the quality of grapes produced.

- **Sugar content.** Another restriction maintains that the sugar content of wine should not be less than 180 gram per litre. Should the sugar content be less than 180 gram per litre, the grapes are not allowed to be used in wine-making.

- **Vintage wine content.** Vintage wine refers to wine made and labeled from grapes grown in a particular year. According to the National Grape Wine Standard, the amount of vintage wine should not be less than 80% of the total amount in each bottle.

The National Grape Wine Standard, being fairly new, will require time before it is fully enforced nationwide. Current levels of enforcement are considered low to medium. Winemakers need to obtain National Industrial Product Manufacturer Permit from General Administration of Quality Supervision, Inspection and Quarantine of the PRC, in order to certify that their wine-making facilities are fit for wine production and subsequent sales.

On 14 April 2009, Good Manufacturing Practice for Wine Enterprises was released by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Standardization Administration of the PRC. It is implemented on 1 December 2009, specifying the basic requirements on factory operations for wine producers – including facilities, equipment, personnel management and training, raw material management, production process control and quality management.

The main environmental concern related to wine production is treatment of wastewater. Wastewater discharged from wine production contains a lot of organic and inorganic waste, due to the fermentation process. Winemakers need to comply with the National Integrated Wastewater Discharge Standard (GB 8978-1996). Recently at end-2008, the Ministry of Environmental Protection of PRC also released a guideline for cleaner production in the wine industry (HJ 452-2008).

7.13 Prospect of Ouhua Group in the Industry

Considering our Company's relatively recent entry into the Chinese wine market, we have gained considerable traction in the market and has established ourselves as a reputable competitor. Our Company has increased our market share from 0.67% in 2006 to 1.49% in 2008, improving one place from eighth to seventh (by sales revenue) in that time.

Our Company's gross profit margins also compares favourably with other key players in the industry. In both 2007 and 2008 respectively, among seven other key players (i.e. Changyu, COFCO, Tontine, Sino-French, Suntime, Mogao and Tonghwa) we ranked fourth in terms of gross profit margin. This is highly commendable given that several of these industry players are established public listed companies. Additionally, our margins have been above industry average in the past two (2) FYE 31 December 2008.

Based on this assessment, Frost & Sullivan believes that our Company has emerged, in a relatively short time, as an important player in the Chinese wine industry, and is in a strong position to further our growth and capture a greater share of the market. The rapid development in the market and low per capita consumption, coupled with our competitive advantages, provides us with significant opportunities for growth and expansion.

8. INFORMATION ON THE PROMOTER, SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

8.1 Substantial Shareholders and Promoter

8.1.1 Shareholdings

The direct and indirect shareholdings of our Substantial shareholders and Promoter in our Company before the IPO and after the IPO are as set out below:-

		Before IPO				After IPO			
		Direct		Indirect		Direct		Indirect	
	Nationality/ Country of incorporation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholders									
Hua Xin	BVI	340,000,000	63.5	-	-	340,000,000	50.9	-	-
HK Yin Kang	Hong Kong	60,000,000	11.2	-	-	60,000,000	9.0	-	-
Soleil	BVI	55,000,000	10.3	-	-	55,000,000	8.2	-	-
Primeforth	BVI	29,000,000	5.4	-	-	29,000,000	4.3	-	-
Wang Chao	Chinese	-	-	340,000,000	63.5[*1]	-	-	340,000,000	50.9[*1]
Ting Ming Hung	Hong Kong	-	-	60,000,000	11.2[*2]	-	-	60,000,000	9.0[*2]
O Chun King	Hong Kong	-	-	60,000,000	11.2[*2]	-	-	60,000,000	9.0[*2]
Teo Kian Huat	Singaporean	-	-	55,000,000	10.3[*3]	-	-	55,000,000	8.2[*3]
Cham Poh Meng	Singaporean	-	-	29,000,000	5.4[*4]	-	-	29,000,000	4.3[*4]
Promoter									
Hua Xin	BVI	340,000,000	63.5	-	-	340,000,000	50.9	-	-
Wang Chao	Chinese	-	-	340,000,000	63.5[*1]	-	-	340,000,000	50.9[*1]

8. INFORMATION ON THE PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Notes:-

*1 *Deemed interested by virtue of him being the sole shareholder of Hua Xin*

*2 *Deemed interested by virtue of his shareholdings in HK Yin Kang*

*3 *Deemed interested by virtue of him being the sole shareholder of Soleil*

*4 *Deemed interested by virtue of him being the sole shareholder of Primeforth*

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8.1.2 Profile

8.1.2.1 Substantial Shareholders

i. Hua Xin

Hua Xin was incorporated in the BVI on 22 October 2008 under the BVI Business Companies Act, 2004 as a company limited by shares. As at the LPD, the authorised share capital of Hua Xin is USD50,000 comprising 50,000 shares of USD1 each. The issued and paid-up share capital of Hua Xin is USD1 comprising one (1) share of USD1 each.

The principal activity of Hua Xin is that of investment holding. Wang Chao is the sole shareholder and director of Hua Xin. The profile of Wang Chao is set out in Section 8.2.2 of this Prospectus.

ii. HK Yin Kang

HK Yin Kang was incorporated in Hong Kong on 7 May 2009 under the Companies Ordinance as a company limited by shares. As at the LPD, the registered share capital of HK Yin Kang is HKD10,000 comprising 10,000 shares of HKD1 each. The issued and paid-up share capital of HK Yin Kang is HKD100 comprising 100 shares of HKD1 each.

The principal activity of HK Yin Kang is that of investment holding. The director of HK Yin Kang is Ting Ming Hung. The details of the shareholders of HK Yin Kang and their shareholdings in HK Yin Kang are set out below:-

		<--------Direct-------->		<-------Indirect------->	
Shareholders	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Ting Ming Hung	Hong Kong	65	65.0	-	-
O Chun King	Hong Kong	35	35.0	-	-

Ting Ming Hung, a Hong Kong resident aged 40, is a professional investor based in Hong Kong. He graduated from Jinjiang Jinjing Vocational School, PRC in 1988. After graduation, he assisted in his family business dealing in trading of lighting equipment. Between 1998 to 2004, he held the position of director in Shenzhen Longke Industrial Co., Ltd, a company in the PRC involved in the manufacturing and trading of lighting equipment. From 2004 to present, he has been acting as a consultant in Shenzhen Longke Industrial Co., Ltd.

8. INFORMATION ON THE PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

O Chun King, a Hong Kong resident aged 38, is a professional investor based in Hong Kong. He graduated from Jinjiang Luoshan Ruique Secondary School, PRC in 1989. From 1989 to 2001, he was employed at Derida Fashion Co., Ltd, a company based in Hong Kong involved in swimwear manufacturing and trading. From 2001 to present, he has been involved in investments and trading of apparels.

iii. **Soleil**

Soleil was incorporated in the BVI on 23 October 2008 under the BVI Business Companies Act, 2004 as a company limited by shares. As at the LPD, the authorised share capital of Soleil is USD50,000 comprising 50,000 shares of USD1 each. The issued and paid-up share capital of Soleil is USD1 comprising one (1) share of USD1 each.

The principal activity of Soleil is that of investment holding. Teo Kian Huat is the sole shareholder and director of Soleil.

Teo Kian Huat, a Singaporean aged 38, has over 13 years experience in the healthcare, corporate finance and private equity investment sectors. He is currently a Partner with Accion Capital Management Pte Ltd, an Exempt Fund Manager based in Singapore. He graduated from Nanyang Technological University with a Bachelor of Accountancy Degree in 1996. He started his career as an auditor with KPMG, an international accounting firm. He was the group Accountant at Parkway Holdings Limited, the largest integrated healthcare group listed on Singapore Stock Exchange and had also served as the Financial Controller of its subsidiary Medi-Rad Associates Ltd. He spent four (4) years in the corporate finance, investment banking in OCBC Bank, focusing on equity capital market, and then joined corporate finance in Hong Leong Finance as part of the pioneer team, which worked on initial public offerings, secondary fund raisings and independent financial advisory assignments. He was formerly at two (2) boutique investment firms, namely Primeforth Capital Pte Ltd and OneEquity SG Pte Ltd, focusing on private equity investments in PRC companies.

iv. **Primeforth**

Primeforth was incorporated in the BVI on 11 July 2008 under the BVI Business Companies Act, 2004 as a company limited by shares. As at the LPD, the authorised share capital of Primeforth is USD50,000 comprising 50,000 shares of USD1 each. The issued and paid-up share capital of Primeforth is USD1 comprising one (1) share of USD1.

The principal activity of Primeforth is that of investment holding. Cham Poh Meng is the sole shareholder and director of Primeforth.

Cham Poh Meng, a Singaporean aged 38, is a professional investor based in Singapore. He graduated in 1996 with a Bachelor of Business Degree from Royal Melbourne Institute of Technology, Australia. He started his career in the retail sector with World of Sports Pte Ltd as a Territory Manager before moving into the transportation sector with Trans-Island Bus Services as Operations Manager. He subsequently joined MSM Holdings Pte Ltd, an apparel wholesale company as Operations Manager. In 2004, he joined Fullerton Ventures Pte Ltd, a private equity firm, as director where he identifies and assesses companies for investment opportunities. In 2008, he started Primeforth Capital Pte Ltd to provide consulting and assess companies for investment opportunities.

8.1.2.2 Promoter

i. Hua Xin

The profile of Hua Xin is set out is Section 8.1.2.1 (i) of this Prospectus.

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8. INFORMATION ON THE PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.1.3 Changes in shareholdings

The changes in our substantial shareholders' and Promoter's shareholdings in our Company since our incorporation up to the LPD are set out below:-

	As at 12 January 2009				As at the LPD			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Substantial Shareholders								
Hua Xin	1	100	-	-	340,000,000	63.5	-	-
HK Yin Kang	-	-	-	-	60,000,000	11.2	-	-
Soleil	-	-	-	-	55,000,000	10.3	-	-
Primeforth[*5]	-	-	-	-	29,000,000	5.4[*4]	-	-
Wang Chao	-	-	1	100	-	-	340,000,000	63.5[*1]
Ting Ming Hung	-	-	-	-	-	-	60,000,000	11.2[*2]
O Chun King	-	-	-	-	-	-	60,000,000	11.2[*2]
Teo Kian Huat	-	-	-	-	-	-	55,000,000	10.3[*3]
Cham Poh Meng	-	-	-	-	-	-	29,000,000	5.4[*4]
Promoter								
Hua Xin	1	100	-	-	340,000,000	63.5	-	-
Wang Chao	-	-	1	100	-	-	340,000,000	63.5[*1]

Notes:-

*1 *Deemed interested by virtue of him being the sole shareholder of Hua Xin*

*2 *Deemed interested by virtue of his shareholdings in HK Yin Kang*

*3 *Deemed interested by virtue of him being the sole shareholder of Soleil*

*4 *Deemed interested by virtue of him being the sole shareholder of Primeforth*

*5 *Primeforth had pursuant to a sale and purchase agreement transferred 16,000,000 Ouhua Shares to Accion resulting in the shareholding of Primeforth being reduced to 29,000,000 Ouhua Shares from 45,000,000 Ouhua Shares*

8. PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

8.2 Directors

8.2.1 Shareholdings

The direct and indirect shareholdings of our Directors in our Company before the IPO and after the IPO are set out below:-

			Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
Directors	Designation	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wang Chao	Executive Chairman and CEO	Chinese	-	-	340,000,000	63.5[*1]	-	-	340,000,000	50.9[*1]
Wang Wei	Chief Operating Officer/ Executive Director	Chinese	-	-	-	-	-	-	-	-
Li Jun	Non-Independent Non-Executive Director	Chinese	-	-	-	-	-	-	-	-
Tam Fook Cheong	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Foo San Kan	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Low Yew Shen	Independent Non-Executive Director	Singaporean	-	-	-	-	-	-	-	-

Note:-

*1 *Deemed interested by virtue of him being the sole shareholder of Hua Xin*

8.2.2 Profiles

The profiles of our Directors are set out below:-

Wang Chao, a Chinese aged 48, is our founder and was appointed as our Executive Chairman and CEO on 23 November 2009. He is responsible for the overall direction and management of our Group. He studied in Shandong TV University, PRC and obtained a Diploma in Industrial Business Management in 1987. From 1979 to 1997, he held various managerial positions such as Investment Manager of China Construction Bank's Yantai Branch, Credit Planning Manager of the People's Bank of China, Yantai Branch, and General Manager of Yantai Municipal People's Bank Industrial Development Corporation.

He left the banking industry in 1997 to set up YO Winery in order to pursue his interest and passion in the wine industry. Since then, Mr. Wang has played a pivotal role in steering our Group's growth and success in the wine industry in PRC. His experience in the finance and banking industry prior to founding our Group, coupled with his drive and passion for our wine business have been instrumental to our Group's success to date. He has conceptualised and implemented various strategies that have led our Group to current position in the PRC wine industry.

He is a member of the Yantai's Chinese People's Political Consultative Committee, a Foreign-owned Enterprise Association and the Vice President of Huangwu Chamber of Commerce, Yantai City.

Wang Wei, a Chinese aged 46, was appointed as our Executive Director on 23 November 2009 and is currently our Chief Operating Officer. He obtained a Diploma in Industrial Business Management from Shandong TV University, PRC in 1987 and subsequently graduated with a Degree in Finance and Accounting in 1987 from Shandong Ganbu Hanshou University, PRC in 1997. He has held various positions such as Supervising Accountant in Yantai Standard Parts Factory from 1983 to 1997, Assistant General Manager to Yantai City Zhifu District City Construction and Development Corporation from 1986 to 1997, and General Manager of YO Winery from 1997 to 2002. In 2002, he joined Ouhua PRC as the Deputy General Manager overseeing the operations of Ouhua PRC.

Li Jun, a Chinese aged 45, was appointed as our Non-Independent-Non Executive Director on 23 November 2009. He obtained a Masters degree in Communication Studies from the University of Kansas, US in 2001.

Throughout his career, Li Jun has held a vast portfolio of positions such as Tutor and secretary to the Principal's office at the PRC Coal economic College between 1986 to 1994, Customer Service Representative at TWA Airlines from 1995 to 1997, Procurement and Supplies Manager from 1997 to 1999 in Microtech Computers Inc, Technical Assistant and tutor from 2000 to 2001 as well as the positions of Engineer, Designers, Analyst, and Project Manager from 2001 to 2005 in Sprint Corporation. From 2005 to present, Li Jun has been acting as the Chief Project Manager of Sunshine 100 Co. Ltd, one of the leading real estate developers in PRC.

8. PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

Tam Fook Cheong, a Malaysian aged 57, was appointed as our Independent Non-Executive Director on 23 November 2009. He has a Certificate IV in assessment and workplace training from Australia and is a fellow member of the Chartered Association of Certified Public Accountants. He is also an associate member of the Institute of Chartered Management Accountants. He started his career in 1975 where he worked in the audit division of Kassim Chan & Co until 1977. Thereafter, from 1977 to 1979, he worked as a Financial Accountant and part-time tutor in Universiti Malaya. From 1980 to 2008, he worked with Petronas and its group of companies where he started out as a Financial Accountant responsible for company financial services function. Between 1985 till 1990 he was the section head of planning and budgeting department of the Petronas holding company. Between 1991 till 1993, he was the section head of the group strategic planning budget unit. From 1994 to 1996, he was the Finance Manager of Petronas Harta Bina Sdn Bhd. In 1997 to 2005, he was the Finance Manager of Petronas Penapisan (M) Sdn Bhd and from 2006 till 2008, he was the Head of Finance of Petronas NGV Sdn Bhd. Since 2009, he became a full-time knowledge facilitator cum learning consultant in providing training in area of financial reporting, management accounting, corporate finance, business planning and budgeting as well as a local counsellor in the Finance Module for the MBA learning program.

Foo San Kan, a Malaysian aged 62, was appointed as our Independent Non-Executive Director on 23 November 2009. He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants, a Fellow of the Institute of Chartered Accountants in England and Wales as well as the Malaysian Institute of Taxation. Mr. Foo is also an Independent Non-Executive Director of several public companies in Malaysia, namely OSK, OSK Ventures International Berhad, Symphony House Berhad, Allianz Malaysia Berhad, Allianz Life Insurance Malaysia Berhad, Allianz General Insurance Company (Malaysia) Berhad, SEG International Berhad, OSK Trustees Berhad and Star Publications (Malaysia) Berhad. Mr. Foo was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practicing accountant. He has 34 years of experience in the accounting profession, the last 30 years of which were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment.

Low Yew Shen, a Singaporean aged 35, was appointed as our Independent Non-Executive Director on 23 November 2009. Mr. Low graduated from the National University of Singapore in 1999 with a LLB (Honours, Second-lower) Degree. He started his career as an associate with Ng Chong & Hue LLC in August 2000 and was promoted to become a director at Ng Chong & Hue LLC on June 2005. He resigned from Ng Chong & Hue LLC as a director on 31 May 2010 and started a limited liability law partnership known as Elitaire Law LLP on 8 August 2010.

In addition to his partnership at Elitaire Law LLP, Mr. Low is currently also a director of Electro Acoustics Research (1999) Pte Ltd, RiseAnew Pte Ltd and Elitaire Asia Pte Ltd.

8. PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

8.2.3 Principal business activities performed outside the Group

Save as disclosed below, none of our Directors have/ had performed any principal business activities outside our Group for the past five (5) years up to the LPD:-

Directors	Company	Designation	Date of Appointment	Date of Resignation
Wang Chao	YO Winery	Director	17.11.1997	-
	Beijing Fazenda Ouhua Wine Sales Co., Ltd	Director	01.04.2005	02.09.2008
Wang Wei	YO Winery	Director	17.11.1997	-
Low Yew Shen	Electro Acoustics Research (1999) Pte Ltd	Director	14.01.2003	-
	RiseAnew Pte Ltd	Director	22.05.2009	-
	Elitaire Asia Pte Ltd	Director	08.04.2010	-
	Elitaire Law LLP	Partner	08.08.2010	-
	Kemayan Projects Pte Ltd	Director	11.01.2001	15.06.2005
	Shantex Holdings Pte Ltd	Director	11.01.2001	08.07.2006
	GMP Development Pte Ltd	Director	11.01.2001	30.06.2006
	Indochina Land and Development Pte Ltd	Director	11.01.2001	30.06.2006
	L&M.com Pte Ltd	Director	11.01.2001	30.06.2006
	L&M Concrete Specialists Pte Ltd	Director	11.01.2001	30.06.2006
	L&M Petromas Pte Ltd	Director	11.01.2001	30.06.2006
	Care Industries Pte Ltd	Director	13.01.2003	02.10.2008
	Ng Chong & Hue LLC	Director	01.06.2005	31.05.2010
Foo San Kan	OSK Holdings Berhad	Director	02.01.2009	-
	OSK Ventures International Berhad	Director	22.07.2004	-
	OSK	Director	29.01.2007	-
	OSK Trustees Berhad	Director	25.04.2003	-
	OSK Indochina Bank Limited	Director	18.07.2008	-

8. PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

Directors	Company	Designation	Date of Appointment	Date of Resignation
	OSK Indochina Securities Limited	Director	17.02.2010	-
	Symphony House Berhad	Director	07.02.2003	-
	Allianz Malaysia Berhad	Director	25.11.2005	-
	Allianz Life Insurance Malaysia Berhad	Director	25.11.2005	-
	Allianz General Insurance Company (Malaysia) Berhad	Director	13.06.2007	-
	SEG International Berhad	Director	27.02.2007	-
	Star Publications (Malaysia) Berhad	Director	22.01.2009	-
	Envair Holdings Berhad	Director	12.08.2008	28.11.2008
	Salcon Berhad	Director	21.07.2003	15.06.2005
	FTS Enterprises Sdn Bhd	Director	09.01.1979	-
	Lian Foh Pawnshop Sdn Bhd	Director	09.01.1995	-
	Fook Foh Pawnshop Sdn Bhd	Director	22.11.2003	-
	Pajak Gadai Koong Sing Sdn Bhd	Director	22.11.2003	-
	KLJ Group Sdn Bhd	Director	01.07.1994	-
	Jasa Kini Sdn Bhd	Director	25.10.2002	-
	Oxfordtrax Sdn Bhd	Director	09.08.2005	-
	Malanez Holdings Sdn Bhd	Director	11.08.2006	13.01.2009
	CPS Towers Sdn Bhd	Director	26.08.1996	12.11.2007
	Segi – IGS Sdn Bhd	Director	08.10.2003	27.05.2005
	Egad Sdn Bhd	Director	21.01.2004	29.11.2008
	Rio Venture Sdn Bhd	Director	26.07.2005	-
Tam Fook Cheong	Maxwell International Holdings Berhad	Director	03.11.2009	-

8.2.4 Directors' remuneration and benefits

The remuneration which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits, must be considered and recommended by the Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees must be further approved by our shareholders at a general meeting.

The aggregate remuneration, fees and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) paid and proposed to be paid to our Directors for their services rendered in all capacities for the FYE 31 December 2009 and FYE 31 December 2010 are set out below:-

	<---------------------Remuneration Band--------------------->	
Directors	**FYE 31 December 2009 RM'000**	**Proposed for FYE 31 December 2010 RM'000**
Wang Chao	257	250 – 300
Wang Wei	58	200 – 250
Li Jun	-	50 – 100
Tam Fook Cheong	-	0 – 50
Foo San Kan	-	0 – 50
Low Yew Shen	-	0 – 50

8.3 Board Practice

8.3.1 Directorship

According to our Articles, each Directors shall retire from office at least once every three (3) years and one-third of our Directors from the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest one-third shall retire from office at each AGM.

Our Director to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

A Director appointed by other Directors to fill in a casual vacancy or as an addition to the existing Board, shall hold office only until the next AGM of the company, and shall then be eligible for re-election.

As at the LPD, the details of the date of expiration of the current term of office for each and every Directors of our Company and the period for which our Directors have served in that office are as follows:-

Directors	Designation	Date of expiration of the current term of office	No. of years in office
Wang Chao	Executive Chairman and CEO	4th AGM	Less than two (2) years
Wang Wei	Chief Operating Officer/ Executive Director	4th AGM	Less than two (2) years
Li Jun	Non-Independent Non Executive Director	3rd AGM	Less than two (2) years
Tam Fook Cheong	Independent Non-Executive Director	3rd AGM	Less than two (2) years
Foo San Kan	Independent Non-Executive Director	2nd AGM	Less than two (2) years
Low Yew Shen	Independent Non-Executive Director	2nd AGM	Less than two (2) years

8.3.2 Audit Committee

The composition of our Audit Committee is set out below:-

Name	Designation	Directorship
Foo San Kan	Chairman	Independent Non-Executive Director
Tam Fook Cheong	Member	Independent Non-Executive Director
Low Yew Shen	Member	Independent Non-Executive Director

Amongst the terms of reference of our Audit Committee are set out below:-

i. Recommends to our Board regarding the selection of the external auditors;

ii. Reviews the results and scope of the internal audit procedure and other services provided by our external auditors;

iii. Reviews and evaluates our internal audit and control functions; and
iv. Assesses the financial risk and matters relating to related party transactions and conflict of interests.

The Audit Committee may obtain advice from independent parties and other professionals in discharging their duties.

8.3.3 Remuneration Committee

The composition of our Remuneration Committee is set out below:-

Name	Designation	Directorship
Tam Fook Cheong	Chairman	Independent Non-Executive Director
Foo San Kan	Member	Independent Non-Executive Director
Low Yew Shen	Member	Independent Non-Executive Director

Amongst the terms of reference of our Remuneration Committee are set out below:-

i. Recommends to our Board regarding the remuneration of our Directors;

ii. Assists our Board in assessing the responsibility and commitment undertaken by our Board members; and

iii. Establishes the performance criteria to evaluate the performance of our Directors and ensuring that the remuneration of our Directors are reflective of the responsibility and commitment of our Directors concerned.

The policy adopted by our Remuneration Committee is to provide the necessary package to attract, retain and motivate our Executive Directors of the quality required to manage our business and to align the interest of our Executive Directors with those of shareholders.

8.3.4 Nomination Committee

The composition of our Nomination Committee is set out below:-

Name	Designation	Directorship
Low Yew Shen	Chairman	Independent Non-Executive Director
Foo San Kan	Member	Independent Non-Executive Director
Tam Fook Cheong	Member	Independent Non-Executive Director

Amongst the terms of reference of our Nomination Committee are set out below:-

i. Reviews the structure, size and composition of our Board;

ii. Reviews the nomination for the appointment or reappointment of our Board members;

iii. Recommends Directors who are retiring by rotation to be put forward for re-election; and

iv. Ensures that all Board appointees undergo an appropriate introduction and training programmes.

8. PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

This requires a review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to our Board in order for our Board to function effectively. Our Board as a whole makes all decisions on appointments after considering the recommendations of our Nomination Committee.

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8. PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

8.4 Key Management and Technical Personnel

8.4.1 Shareholdings

The direct and indirect shareholdings of our Key management and technical personnel in our Company before the IPO and after the IPO are set out below:-

			Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
Name	Designation	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wang Chao	CEO	Chinese	-	-	340,000,000	63.5[*1]	-	-	340,000,000	50.9[*1]
Wang Wei	Chief Operating Officer	Chinese	-	-	-	-	-	-	-	-
Mei Kebing	Marketing and Sales Director	Chinese	-	-	-	-	-	-	-	-
Tang Liu	Brand Strategy Director	Chinese	-	-	-	-	-	-	-	-
Sun Cunhui	Production and Technical Director	Chinese	-	-	-	-	-	-	-	-
Sun Luning	Chief Winemaker	Chinese	-	-	-	-	-	-	-	-
Hui Kang Sang	Chief Financial Officer	Malaysian	-	-	-	-	-	-	-	-
Song Jiakai	Financial Controller	Chinese	-	-	-	-	-	-	-	-
Zhuang Jinjie	Assistant General Manager - Administration	Chinese	-	-	-	-	-	-	-	-

Note:-

[*1] *Deemed interested by virtue of him being the sole shareholder of Hua Xin*

8.4.2 Profiles

The profile of Wang Chao and Wang Wei are set out in Section 8.2.2 of this Prospectus.

Mei Kebing, a Chinese aged 34, is our Marketing and Sales Director. He graduated with a Diploma in Economic Management from Huaqiao University, Quanzhou, PRC in 1998. Currently, he is responsible for the management of the sales and marketing for our products in the PRC, including managing our distribution channels and customer accounts. In 2002, he joined D-Wolves, a subsidiary brand of Septwolves, as a Special Assistant to the Branding Manager and was promoted to the position of Marketing Director in 2003. In 2005, he joined Fujian Fengzhu Textile Technology Joint Stock Co. Ltd as Branding Director before joining us in 2008. Throughout his career, he has participated in various professional managerial courses, human resource courses, marketing courses and other related courses and seminars.

Tang Liu, a Chinese aged 37, is our Brand Strategy Director. Currently, he is responsible for the branding strategy and market positioning for our products in the PRC. In 1996, he joined Fujian Jinjiang Yuanhong Industry Co. Ltd. as the Chief Designer before promoted and appointed as General Manager of Fujian Jinjiang Yuanhong Industry Co. Ltd.'s subsidiary company, namely Shishi City Yuanhong Design Planning Co. Ltd in 1998. During his tenure with Fujian Jinjiang Yuanhong Industry Co. Ltd and Shishi City Yuanhong Design Planning Co. Ltd, he had worked with renowned brands such as Stepwolves, Hosa, Edenbo, and VanCamel to strategise the rebranding of their respective products in the market. He then left in 2001 and established Quanzhou Yantang Shengshi Advertising Co. Ltd. He held the position of Managing Director until July 2007 when he resigned from his executive role and remained as a non-executive director in the Company till present. Within this period, he had assisted several well known clothing and apparel brands such as Deerway (China) Co. Ltd, Xtep International Holdings Limited, and Guirenniao (China) Co Ltd to formulate their branding and marketing strategies. He joined Ouhua PRC in August 2009.

Sun Cunhui, a Chinese aged 34, is our Production and Technical Director. Currently, he is responsible to oversee our production capacity, the maintenance of our stringent quality control standards as well as all aspects of our production process, including the smooth running of our various production lines and the maintenance of our storage facilities. From 1997 to 2004, he was appointed by Ningxia Xixiawang Winery Co. Ltd as the Production Technical Manager and Xixiawang Winery Co. Ltd as the Head of the Wine Research and Development Centre. In 2004, he joined Yisidun Winery Co. Ltd. as the Assistant Supervisor to the planning department before promoted to the position of Deputy Head of the winery factory in 2007. He joined Ouhua PRC in January 2008.

Sun Luning, a Chinese aged 55, is our Chief Winemaker. He graduated from Shandong Institute of Light Industry, PRC in 1975 majoring in Analytical Chemistry. In 1985, he obtained a related Professional Diploma from Italy. Currently, he is responsible for our wines production and developing new wines for the different markets segment and also managing the procurement of our raw materials. From 1975 to 1995, he was attached to Changyu Pioneer Wine Company Limited where he has held positions, amongst others, Technician, Factory Manager, Technical Director and Deputy Chief Engineer. He was with Ouhua PRC since its incorporation in 2002.

Hui Kang Sang, a Malaysian aged 46, is our Chief Financial Officer based in Malaysia. He holds a professional qualification from the Chartered Institute of Management Accountant United Kingdom and is an Associate Member since 1994. He is also a Member of the Malaysian Institute of Accountants since 1996. Currently, he is responsible for the overall management of the finance functions of our Group, our compliance with the financial reporting requirements and the supervision of our accounts staff. He has total 20 years of experience in the field of auditing, accounting, and corporate services. He began his career with the Lion Group as an internal audit executive in 1991. In 1993, he joined Berjaya Group Malaysia as an internal auditor and Accountant. In 1995, he joined Universal Furniture Ltd (Singapore) as a group internal auditor and later he had been appointed as a Group Corporate Accountant. In 1997, he joined Hume Smallholders Industries Sdn Bhd as an Accountant to head the finance and administration, treasury and credit control department. In 2000, he joined Harbin Coca-cola Beverage Co., Ltd as a Manager in internal audit department. In 2002, he joined UBS Corporation Berhad as a Financial Controller, primarily to take part in the then impending initial public offering's due diligence exercise and the privatisation processes of the company. He also actively involved in the negotiation processes of acquisition. In 2008, he joined TS Law Holding Sdn Bhd as a personal assistant to Executive Chairman of the company, acting as the Chairman's representative to oversee and coordinate the business affairs and operations of the group. Prior to joining Ouhua in August 2010, he was a senior finance manager in Pelangi Publishing Group Bhd, primarily responsible for group's management and financial reporting. He was also involved in corporate affairs such as Bursa Securities' reporting and listing compliance.

Song Jiakai, a Chinese aged 40 is the Financial Controller of Ouhua PRC. From 1989 to 1992, he studied Accounting in Guizhou College of Finance, PRC. Currently, he is responsible for the financial reporting and financial compliance matters of Ouhua PRC. He has held the positions of Finance Manager in Fujian Jinjiang Xielong Enterprise between 1992 till 1994 and in Xiamen Motic China Group Co. Ltd. between 1994 till 2002. He has also held the position of Chief Finance Officer in Fujian ATON Advanced Materials Science and Technology Co. Ltd ("Fujian ATON") from 2002 to 2005 before joining us in 2006. During his tenure in Fujian ATON, he played a pivotal role in assisting Fujian ATON and its parent company, Sinopipe Holdings Limited, to be successfully listed on the Singapore Stock Exchange.

8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

Zhuang Jinjie, a Chinese aged 56, is our Assistant General Manager – Administration. Between 1985 till 1987, he attended Yantai Teacher's College (presently known as Ludong University) and obtained a diploma in Political Science. Currently, he is responsible for overseeing the performance and welfare of our employees. Between 1987 till 2004, he was attached to Yantai Electrical Equipment Corporation, where he held the position of Head of human resources department before promoted to Assistant General Manager in 1995. He joined Ouhua PRC as the Supervisor of the Administration office in 2004 and was promoted to his current position in 2005. Throughout his career, he had participated in various trainings and seminars related to human resources management.

8.5 Involvement of our Executive Directors/ Key Management and Technical Personnel in other Businesses/ Corporations

As at the LPD, save as disclosed below, none of our Executive Directors and/ or key management and Technical Personnel are involved in other businesses or corporations, save and except for the operations of our Company:-

Name	Company	Principal activity	Designation
Wang Chao	YO Winery	Dormant (formerly wine making)	Shareholder and Director
Wang Wei	YO Winery	Dormant (formerly wine making)	Shareholder and Director

Wang Chao and Wang Wei's involvement in the above businesses do not require a significant amount of their time as the business operation of YO Winery in the production and distribution of wine has been transferred to us. As such, both Wang Chao and Wang Wei spend most of their working hours on the affairs of our Group. Hence, their involvement in other businesses and corporations neither materially nor adversely affect their contributions to our Group. Their ability to act as Executive Directors, key management and technical personnel of our Group is not expected to change going forward.

8.6 Relationships and Associations

Save as disclosed below, there are no family relationships and associations between our substantial shareholders, Promoter, Directors and key management and technical personnel:-

i. Wang Chao and Wang Wei are siblings;

ii. Li Jun is the brother-in-law of Wang Chao;

iii. Zhuang Jinjie is the brother-in-law of Wang Chao and Wang Wei; and

iv. Wang Chao is the sole shareholder and director of Hua Xin.

8.7 Declarations from our Promoter, Directors and Key Management and Technical Personnel

As at the LPD, none of our Promoter, Directors and key management and technical personnel is or has been involved in any of the following events (whether in or outside Malaysia):-

i. A petition under any bankruptcy or insolvency law was filed (and not struck out) against such person or any partnership in which he or she was a partner or any corporation of which he was a director or key personnel;

ii. Was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of the corporation;

iii. Was charged and/ or convicted in criminal proceeding or is a named subject of pending criminal proceedings;

iv. Any judgment was entered against he or she involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

v. Was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him or her from engaging in any type of business practice or activity.

8.8 Services Agreements

As at the LPD, none of our Directors and key management and technical personnel has any existing or proposed service agreements with our Group.

8.9 Amounts or benefits paid to our Promoter, Directors or Substantial Shareholders within the two (2) years preceding the date of this Prospectus

Save for the dividends as set out in Section 11.6 of this Prospectus, and the remuneration and benefits for services rendered in all capacities to our Group as set out in Section 8.2.4 of this Prospectus, there are no other amounts or benefits paid or intended to be paid or given to any of our Promoters, Directors and substantial shareholders, within the two (2) years preceding the date of this Prospectus.

8.10 Employees

8.10.1 Number of Employees

For the FYE 31 December 2009, our Company has a total workforce of 106 employees excluding our Board members. Our Company does not have any contractual or temporary employees. We pay social insurance for our employees, including pension, medical, unemployment, work injury and maternity insurance, and believe that we are in compliance with local laws and regulations concerning social insurance. None of our employees belong to any trade unions and there have been no industrial dispute since we commenced operations.

8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

The employees structure of our Company for the past three (3) FYE 31 December 2009 are set out below:-

	<------------------Number of employees---------------->		
	<--------------------FYE 31 December-------------------->		
Categories	**2009**	**2008**	**2007**
Management and professional	23	19	11
Sales and marketing	22	25	9
Finance and administrative	9	6	5
R&D	12	13	11
Production workers	40	54	41
Total workforce	106	117	77

The employee turnover rate for each of the categories are set out below:-

	<--------------------FYE 31 December------------------->		
	2009	**2008**	**2007**
Categories	**%**	**%**	**%**
Management & professional	29.7	5.3	0.0
Sales and marketing	32.0	28.0	22.2
Finance & adminstrative	0.0	66.7	0.0
R&D	23.1	15.4	0.0
Production workers	31.5	55.6	2.4

As tabulated in the table above, there is a high turnover rate during the FYE 31 December 2008 and 2009 particularly for management & professional, finance & adminstrative and production workers. The high employee turnover rates are common especially in the production line work in the PRC. Production and factory workers tend to move around factories which offer relatively higher salaries. However, factory workers are low skilled workers and there is not much training required for them and thus this would not create a threat for us in terms of factory labour shortage. The high employee turnover rate in 2009 for management & professional was due to the movement in junior executive level. In line with our expansion plan during the FYE 31 December 2008 and 2009, realignment of staff was also carried out and this also resulted in an overall staff movement trend during the year. Recruitment of new personnel and replacement of personnel with new recruits also formed part of our expansion plan. For instance, total sales and marketing employees increased from nine (9) personnel in FYE 31 December 2007 to 22 personnel in FYE 31 December 2009 as we strive to improve our sales target in line with our Group's objective to expand our distribution network. In addition, in tandem with the listing exercise, we took a strategic review of our human resources department and recruited new qualified staff to drive the operations in order to drive the company to the next level. While attracting and retaining qualified labour is challenging from the human resources standpoint, we will continue to put in more effort to study and understand the labour market and our own employees' needs to help us attract and retain qualified employees.

8.10.2 Training and Development

Our Company believes that the ability to retain a team of highly skilled and knowledgeable workforce is instrumental to our success. Hence, we emphasise the importance of providing training and development programmes for our employees. These programmes relate to in-house workshops and external training programmes to update our employees on the latest developments within our Group and the industry that we are involved in. Our employees also receive technical and production training as well as safety training from our in-house experts.

All new employees are required to undergo orientation programmes to familiarise themselves with our working environment, products, operations and safety procedures. New recruits also undergo on the job training to equip themselves with the requisite skills for performing their specific functions. Employees involved in the production processes are required to undergo in-house operational training sessions to familiarise themselves with our operational procedures, policies and practices. Our training regime aims to equip our staff with knowledge pertaining to quality assurance, the mechanics of the production processes and safety awareness.

8.10.3 Management Succession Plan

Our business is organised along functional lines where department managers are responsible for the execution of their duties. Our Group practices management empowerment whereby department managers are relatively autonomous, and have significant decision-making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our CEO/ Executive Director to be involved in all the details and aspects of the operational and functional areas. This allows our CEO/ Executive Director to focus on strategic matters and on further developing the business for growth and success.

Nevertheless, to ensure business continuity, our Group has put in place a management succession plan which includes:-

i. Identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management position in line with the business goals, strategies and culture of our Group; and

ii. Taking a positive approach towards addressing talent management to ensure the organisation has talent readily available from a capability perspective to undertake leadership positions throughout the organisation.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision-making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

9. APPROVALS AND CONDITIONS

9.1 Approvals and Conditions

9.1.1 Approvals in Malaysia

a) The approval of the SC for our IPO, pursuant to Section 212 (5) of the CMSA and the Equity Guidelines for our IPO was obtained on 18 May 2010. The conditions imposed by the SC for the approval of our IPO and status of compliance are set out below:-

	Conditions	Status of compliance
i.	OSK/ Ouhua is to disclose the following information in the listing prospectus to be issued pursuant to the flotation scheme:-	
	(a) The reasons for the lower consumption of grape wine as compared to other alcoholic beverages and the impact of the lower consumption on the growth of Ouhua as a risk factor;	Complied. Please refer to Section 4.1.1 of this Prospectus.
	(b) Details on the change in the business model of Ouhua in 2008, the resulting financial and operational implications arising from the adoption of the master distributorship concept and the rationale for the change in the business model;	Complied. Please refer to Section 6.12.1 and Section 11.3.4 of this Prospectus.
	(c) The views of OSK and Ouhua on whether or not the related-party transactions between Ouhua and Beijing Fazenda Ouhua Wine Sales Co., Ltd were conducted on an arm's length basis and based on commercial terms during the time when both Mr. Wang Chao and Madam Li Lin were still substantial shareholders of Beijing Fazenda Ouhua Wine Sales Co., Ltd; and	Complied. Please refer to Section 10.1.2 of this Prospectus.
	(d) The salient terms of the call option agreement dated 27 November 2009 and the reasons why Ouhua did not acquire the remaining 5% equity interest in Ouhua PRC;	Complied. Please refer to Section 5.3 of this Prospectus.
ii.	Ouhua to fully pay up the registered capital of Ouhua PRC prior to the registration of the listing prospectus;	Complied. Please refer to Section 5.4 of this Prospectus.
iii.	OSK/ Ouhua to make available the independent auditors' report from Messrs. Ernst & Young in the listing prospectus;	Complied. Please refer to Appendices F and G of this Prospectus.
iv.	OSK/ Ouhua to ensure that the issue on the standards of laws and regulations between Malaysia and Singapore is resolved prior to the submission of the listing prospectus for registration;	Complied. Please refer to Appendix B of this Prospectus.
v.	OSK/ Ouhua must ensure the appointment of at least two (2) Malaysian independent directors at the point of listing and post listing;	Complied and will continue to comply. Please refer to Section 1 of this Prospectus.

9. APPROVALS AND CONDITIONS (CONT'D)

Conditions	Status of compliance
vi. OSK/ Ouhua to ensure that, post listing, Ouhua's independent auditors is an internationally affiliated accounting firm;	Complied and will continue to comply. Ouhua's current independent auditor, Ernst & Young LLP is an internationally affiliated accounting firm.
vii OSK/ Ouhua to fully comply with the relevant requirements under the Equity Guidelines and Prospectus Guidelines issued by the SC pertaining to the implementation of the proposals; and	The SC vide its letter dated 18 May 2010 approved the application under Bumiputera equity requirements for public listed company. However, there is no equity condition imposed.
viii. OSK/ Ouhua to inform the SC upon the completion of the proposals.	Noted and to be complied.

Moratorium Requirements — **Status of compliance**

i. The following promoter, substantial shareholders and the pre-IPO investors will not be allowed to sell, transfer or assign their entire shareholdings in Ouhua (upon completion of the flotation scheme) for a period of six (6) months from the date of admission of Ouhua to the Main Market of Bursa Securities:-

Status of compliance: Complied. The Pre-IPO Investors had given their undertaking that they will not sell, transfer or assign their entire shareholdings in Ouhua for a period of six (6) months from the date of admission of Ouhua to the Main Market of Bursa Securities. The actual Ouhua Shares issued pursuant to the conversion of promissory notes were 35,450,000 based on the exchange rate of SGD1:RM2.3193.

Promoter and Substantial Shareholders

Name	No. of Shares to be held under moratorium	%
Hua Xin	340,000,000	50.9
HK Yin Kang	60,000,000	9.0
Soleil	55,000,000	8.2
Primeforth Limited	45,000,000	6.7
	500,000,000	74.8

Pre-IPO Investors

Name	No. of Shares to be held under moratorium*	%
OSKTV	16,818,182	2.5
Chia Kee Siong	5,381,818	0.8
Yap Shing @ Yap Sue Kim	5,381,818	0.8
Yap Song Yung	2,690,909	0.4
OSK Nominees	6,727,273	1.0
	37,000,000	5.5

Note:-

* *Based on the estimated number of shares to be converted under an assumed exchange rate of SGD1:RM2.4465 pursuant to the Note Purchase Agreement entered into between Ouhua and the pre-IPO investors.*

Moratorium Requirements	Status of compliance
Where the promoter, substantial shareholders and pre-IPO investors are corporations, all direct and indirect shareholders of these corporations (if they are individuals or other corporations) up to the ultimate individual shareholders must give an undertaking to the SC that they will not sell, transfer or assign any of their securities in the corporations for a period of six (6) months from the date of admission of Ouhua to the Main Market of Bursa Securities.	
b) The SC had via its letter dated 30 August 2010, approved the transfer of 16,000,000 Ouhua Shares held by Primeforth to Accion. The transfer of 16,000,000 Ouhua Shares to Accion is subject to the moratorium imposed on Accion, whereby Accion will not be allowed to sell, transfer or assign their entire shareholdings in Ouhua (upon completion of the floatation scheme) for a period of six (6) months from the date of admission of Ouhua to the Main Market of Bursa Securities.	Complied. Accion had given their undertaking that they will not sell, transfer or assign their entire shareholdings in Ouhua for a period of six (6) months from the date of admission of Ouhua to the Main Market of Bursa Securities.

9.1.2 Approvals in Singapore

Messrs Shook Lin & Bok LLP, our Singapore legal adviser for our IPO has confirmed that:-

i. There are no governmental or regulatory consents, approvals, authorisations or orders which are required in Singapore to enable our Company to carry out or perform any of the matters listed below:-

   a) listing on the Main Market of Bursa Securities; and

   b) carry out the Listing Scheme as set out in Section 5.5 of this Prospectus;

ii. There are no registrations, filings or similar formalities required in Singapore in respect of Section 9.1.2 (i) (a) and (b) above.

9.1.3 Approvals in PRC

Messrs Jingtian & Gongcheng, our PRC legal adviser for our IPO has confirmed that:-

i. There are no governmental or regulatory consents, approvals, authorisations or orders which are required in the PRC to enable our Company to carry out or perform any of the matters listed below:-

   a) listing on the Main Market of Bursa Securities; and

   b) carry out the Listing Scheme as set out in Section 5.5 of this Prospectus;

ii. There are no registrations, filings or similar formalities required in the PRC in respect of Section 9.1.3 (i) (a) and (b) above, other than the foreign exchange registration by Mr. Wang Chao required by Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles which registration was to Mr. Wang Chao by SAFE on 21 October 2005.

9.2 Moratorium on Promoter's Shares

Pursuant to the SC Guidelines, our Shares that are held by our Promoter amounting to 50.9% of our nominal issued and paid-up capital as at our date of admission to the Official List be placed under moratorium. Our Promoter whose Shares are subject to moratorium are set out below:-

Promoter	Number of Shares held after the Public Issue	Number of Shares to be held under moratorium after the Public Issue	Percentage of share capital %
Hua Xin	340,000,000	340,000,000	50.9

Our Promoter has provided an undertaking letter to the SC that they will not sell, transfer or assign any part of their interest in the Shares under the moratorium within six (6) months from our date of admission to the Official List.

The moratorium, which has been fully accepted by our Promoter, is specifically endorsed on the Share certificates representing our Promoter's respective shareholding which are under moratorium to ensure that our Company's share registrar does not register any transfer not in compliance with the restriction imposed by the SC.

The endorsement, which will be affixed on the Share certificate are set out below:-

"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the SC ("Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificates will be issued to replace this certificate during the Moratorium period unless the same shall be endorsed with this restriction."

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1 Related Party Transactions and Conflict of Interest

Save as disclosed below, there are no other related party transactions or other subsisting contracts or arrangement, existing or potential, entered or to be entered into by our Group which involved the interest, direct or indirect, of our Directors, substantial shareholders, key management and technical personnel and/ or person connected to them for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009:-

10.1.1 Recurrent related party transaction

				<----------Transaction value---------->			
				Six (6)-month FPE 30 June	<-------FYE 31 December------->		
Transacting parties	Related parties	Nature of relationship	Nature of transaction	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Ouhua PRC and YO Winery	Wang Chao and Wang Wei	Wang Chao and Wang Wei are the directors of Ouhua PRC and YO Winery. Wang Chao and Wang Wei are also the shareholders of YO Winery	Lease of office premises to Ouhua PRC by YO Winery	378	720	720	720

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

10.1.2 Non-recurrent related party transactions

Transacting parties	Related parties	Nature of relationship	Nature of transaction	Transaction value: Six (6)-month FPE 30 June 2010 RMB'000	Transaction value: FYE 31 December 2009 RMB'000	Transaction value: FYE 31 December 2008 RMB'000	Transaction value: FYE 31 December 2007 RMB'000
Ouhua and Teo Kian Huat	Teo Kian Huat	Teo Kian Huat is a former director of Ouhua. He is also the sole shareholder and director of Soleil, a substantial shareholder of Ouhua	The advances made by Teo Kian Huat to Ouhua were given in the ordinary course of the Company's day to day business and as such there were no agreements entered into. The purpose of the advance was for the working capital requirement and defraying listing expenses	2,197	6,474	-	-
			The advance was for the purpose of capital injection to Ouhua PRC. The repayment of the advance will take place 12 months after the Listing and the repayment will be made from the Company's internally generated funds, excluding the proceeds from the IPO	5,772	-	-	-
Ouhua and Wang Chao	Wang Chao	Wang Chao is a director of Ouhua and the sole shareholder and director of Hua Xin, a substantial shareholder of Ouhua	The advance was for the purpose of capital injection to Ouhua PRC. The repayment of the advance will take place 12 months after the Listing and the repayment will be made from the Company's internally generated funds, excluding the proceeds from the IPO	10,185	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Transacting parties	Related parties	Nature of relationship	Nature of transaction	<----Transaction value---- Six (6)-month FPE 30 June 2010 RMB'000	<----FYE 31 December----> 2009 RMB'000	2008 RMB'000	----> 2007 RMB'000
Ouhua and Wang Chao	Wang Chao	Wang Chao is a director of Ouhua and the sole shareholder and director of Hua Xin, a substantial shareholder of the Ouhua	Deed of Release and Discharge in relation to the release of the obligation by Ouhua to pay Wang Chao the consideration ("Consideration") due to Hualian for the acquisition of the 25% registered capital in Ouhua PRC by Ouhua, the benefit of which Consideration was assigned to Wang Chao	-	1,023	-	-
Ouhua PRC and YO Winery	Wang Chao and Wang Wei	Wang Chao and Wang Wei are the directors of Ouhua PRC and YO Winery. Wang Chao and Wang Wei are also the shareholders of YO Winery	Licensing of trademarks by YO Winery to Ouhua PRC	-	-	-	-
Ouhua PRC and YO Winery	Wang Chao and Wang Wei	Wang Chao and Wang Wei are the directors of Ouhua PRC and YO Winery. Wang Chao and Wang Wei are also the shareholders of YO Winery	Transfer of trademarks from YO Winery to Ouhua PRC	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

				<---Transaction value--->			
				Six (6)-month FPE 30 June	<---FYE 31 December--->		
Transacting parties	Related parties	Nature of relationship	Nature of transaction	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Ouhua PRC and Beijing Fazenda Ouhua Wine Sales Co., Ltd[*1]	Li Lin	Spouse of Wang Chao	Purchases from Ouhua PRC pursuant to provincial sales agency agreement[*2]	-	29,664	37,773	2,671

Notes:-

*1 *Beijing Fazenda Ouhua Wine Sales Co., Ltd ("Beijing Ouhua") is one of the distributors who distributes our wines. The substantial increase in the transaction value for the past three (3) years is in tandem with the increase in our revenue as well as the increase in new wine drinkers.*

*2 *OSK together with the Due Diligence Working Group members have visited the Fazenda Ohua specialty store of Beijing Ouhua and selected point-of-sales in Beijing. They have also interviewed the sales manager of Beijing Ouhua to understand the business of Beijing Ouhua. In addition, they have also reviewed all our master distributor agreements and pricing policy and noted that we generally sell to Beijing Ouhua at the same pricing policy as other master distributors and there is no privilege term granted to Beijing Ouhua. As such, we and OSK are of the view that the transactions undertaken between our Group and Beijing Ouhua were carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and will not be detrimental to our minority shareholders during the time when Mr. Wang Chao and Madam Li Lin were still the substantial shareholders of Beijing Ouhua. Mr. Wang Chao and Madam Li Lin's interests in Beijing Ouhua were disposed off and Beijing Ouhua ceased to be a related party of our Group in October 2009.*

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

All the above transactions are carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and will not be detrimental to our minority shareholders.

Upon Listing, our Audit Committee will supervise the terms of related party transactions, and our Directors will report related party transactions, if any, annually in our Company's annual report. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related-party transactions that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event there are any proposed related party transactions that require the prior approval of shareholders, the Directors, major shareholders and/ or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/ or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/ or indirect shareholdings. Such interested Directors and/ or major shareholders will also undertake that he shall ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.2 Transactions That Are Unusual In Their Nature Or Conditions

Our Directors have confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or our Company and/ or our subsidiary was a party to in the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

10.3 Outstanding Loans (Including Guarantees of Any Kind) Made for the Benefit of Related Parties

Our Directors have confirmed that to the best of their knowledge and belief, there are no outstanding loans (including guarantees of any kind) that has been granted by our Company and/ or our subsidiary to or for the benefit of the related parties for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

10.4 Interests in a Similar Business

Save as disclosed in Section 8.2.3 of this Prospectus, as at the LPD, none of our Director or substantial shareholders has any interest, direct or indirect, in any business and corporations carrying on a similar trade as our Group.

Our Board is of the opinion that the similar principal activities of YO Winery does not give rise to a situation of conflict of interest as YO Winery has not been carrying on the similar business since 2002.

10.5 Promotion of Material Assets

Save as set out in Section 10.1 of this Prospectus, none of our other Directors and/ or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to our Company or our subsidiary for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

10.6 Interest in Contracts or Arrangements

Save as disclosed in Section 10.1 of this Prospectus, none of our Directors and/ or substantial shareholders have any interest in any contract or arrangement subsisting at the date of this Prospectus, which is significant in relation to the business of our Group taken as a whole.

10.7 Recurrent Related Party Transactions of A Revenue or Trading Nature

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek its shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading in nature which are necessary for its day to day operations subject to, inter-alia, the following:-

i. The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

ii. The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 2.1 of Practice Note No. 12/2001 of the Listing Requirements;

iii. The circular to our shareholders for the shareholders' mandate shall include the information required under the Listing Requirements; and

iv. In a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with a Director or major shareholder; and where it involves the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder, must not vote on the resolution approving the transactions. An interested Director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Our Group would, in the ordinary course of our business, enter into transactions, including but not limited to the transactions described as related party transactions set out in Section 10.1 of this Prospectus, with persons who are considered "related parties" as defined in the Listing Requirements. It is likely that such transactions will occur with some degree of frequency.

Due to the time-sensitive nature of commercial transactions, the shareholders mandate will enable us, in our normal course of business, to enter into the categories of related party transactions, provided such related party transactions are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Review procedures for recurrent related party transactions

Our Group has established various procedures to ensure that the recurrent related party transactions are undertaken on an arm's length basis and on normal commercial terms that are consistent with our Group's usual business practices and policies, which are not on terms that are more favourable to the related parties than those extended to the public and, are not to the detriment of the minority shareholders.

The review procedures established by our Group for the recurrent related party transactions are as follows:-

i. All companies within our Group have been informed of the definition of "related party" and the review procedures applicable to all recurrent related party transactions;

ii. All companies within our Group shall only enter into recurrent related party transactions after taking into account the pricing, level of service, quality of product as compared to market prices and industry standards. Any recurrent related party transaction entered into shall be treated and processed on normal commercial terms consistent with our Company's usual business practices and policies and will not be detrimental to the minority shareholders;

iii. The transaction prices are determined by the prevailing market rates/ prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms;

iv. All recurrent related party transactions, which are not disclosed above and have a value equivalent to or more than RM1 million or 1% of any percentage ratio, whichever is higher, shall be reviewed by the Audit Committee before the transactions are entered into;

v. For other recurrent related party transactions, which are not covered by the above paragraph (iv) above, the transactions shall be reviewed by the Audit Committee on a periodic basis;

vi. Any member of the Audit Committee may as he or she deems fit, request for additional information pertaining to the transactions including from independent sources or advisers;

vii. If a member of the Audit Committee has an interest, direct or indirect, in any particular transaction, he or she will have to abstain from any deliberation and also voting on the matter at the Audit Committee meeting in respect of such transactions;

viii. Proper records shall be maintained to capture all recurrent related party transactions entered into pursuant to the shareholders' mandate to ensure accurate disclosure thereof. Disclosure will be made in our Company's annual report of the breakdown of the aggregate value of the recurrent related party transactions during the financial year, amongst others, based on the following information:-

a) the type of recurrent related party transactions made; and

b) the names of the related parties involved in each type of the recurrent related party transaction made and their relationship with our Company.

ix. The annual internal audit plan shall incorporate a review of all recurrent related party transactions entered into pursuant to the shareholders' mandate to ensure that relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;

x. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and the procedures established to monitor recurrent related party transactions are complied with; and

xi. The Audit Committee shall have the overall responsibility of determining whether the review procedures are appropriate, with the authority to delegate such function to individuals or committee within our Company as it shall deem fit.

10.8 Declaration by Advisers to IPO

i. Principal Adviser

OSK confirms, as at the date of this Prospectus, save as disclosed below, there is no other existing or potential conflict of interest in its capacity as the Adviser, Underwriter and Placement Agent for the IPO.

OSK wishes to state that OSKTV, a wholly-owned subsidiary of a sister company of OSK, namely OSK Ventures International Berhad, is a shareholder of Ouhua pursuant to the Convertible Note Holders issued to OSKTV under the Note Purchase Agreement dated 23 November 2009. Details of the Note Purchase Agreement are as set out in the Section 16.7 this Prospectus.

ii. International Financial Adviser and International Placement Agent

Kim Eng Corporate Finance Pte. Ltd. confirms that there is no existing or potential conflict of interest in its capacity as the International Financial Adviser and International Placement Agent for the IPO.

iii. Legal Adviser

Messrs Cheang & Ariff confirms that there is no existing or potential conflict of interest in its capacity as the legal adviser for the IPO.

iv. Legal Adviser for the Singapore Law

Messrs Shook Lin & Bok LLP confirms that there is no existing or potential conflict of interest in its capacity as the legal adviser for the Singapore Law for the IPO.

v. Legal Adviser for the PRC Law

Messrs Jingtian & Gongcheng confirms that there is no existing or potential conflict of interest in its capacity as the legal adviser for the PRC Law for the IPO.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

vi. Auditors

Messrs Ernst & Young LLP confirms that there is no existing or potential conflict of interest in its capacity as Auditors for the IPO.

vi. Reporting Accountants

Messrs Ernst & Young confirms that there is no existing or potential conflict of interest in its capacity as Reporting Accountants for the IPO.

vii. Independent Market Researcher

Frost & Sullivan GIC Malaysia Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the IPO.

viii. Company Agent in Malaysia

PFA Corporate Consultants Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Company Agent in Malaysia for the IPO.

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11. FINANCIAL INFORMATION

11.1 Historical Financial Information

11.1.1 Proforma Consolidated Statements of Comprehensive Income

The following table sets out a summary of the proforma consolidated statements of comprehensive income of our Group for the six (6)-month FPE 30 June 2010 and the audited financial statements for the past three (3) FYE 31 December 2009, prepared based on the assumption that our Group has been in existence throughout the financial years and periods under review. The proforma consolidated statement of comprehensive income are presented for illustrative purposes only and should be read in conjunction with the Accountants' Report and the Reporting Accountants' Letter together with the notes and assumptions accompanying the proforma consolidated financial information set out in Sections 12 and 13 of this Prospectus, respectively.

	Proforma Six (6)-month FPE 30 June 2010		Audited Six (6)-month FPE 30 June 2010		Unaudited Six (6)-month FPE 30 June 2009		<---Audited---> <---FYE 31 December---> 2009		2008		2007	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	229,270	112,251	229,270	112,251	177,211	90,697	375,530	189,718	301,517	145,090	178,736	80,718
Cost of sales	(94,602)	(46,317)	(94,602)	(46,317)	(80,178)	(41,035)	(168,024)	(84,886)	(135,033)	(64,978)	(83,182)	(37,565)
Gross Profit	134,668	65,934	134,668	65,934	97,033	49,662	207,506	104,832	166,484	80,112	95,554	43,153
Other items of income												
Interest income	128	63	128	63	76	39	123	62	209	101	181	82
Other income	162	79	162	79	-	-	6,621	3,345	519	250	-	-
Other items of expense												
Marketing and distribution	(25,192)	(12,334)	(25,192)	(12,334)	(13,891)	(7,109)	(34,063)	(17,209)	(21,917)	(10,546)	(13,966)	(6,307)
Administrative expenses	(9,616)	(4,708)	(9,616)	(4,708)	(5,792)	(2,964)	(13,484)	(6,812)	(9,630)	(4,634)	(7,852)	(3,546)
Interest expense	(3,039)	(1,488)	(3,039)	(1,488)	(139)	(71)	(2,545)	(1,286)	(68)	(33)	-	-
Other expense	(8,209)	(3,955)	(2,970)	(1,454)	(2,254)	(1,155)	(5,564)	(2,810)	(459)	(221)	(1,244)	(562)
PBT	88,902	43,591	94,141	46,092	75,033	38,402	158,594	80,122	135,138	65,029	72,673	32,820

11. FINANCIAL INFORMATION (CONT'D)

	Proforma Six (6)-month FPE 30 June 2010		Audited Six (6)-month FPE 30 June 2010		Unaudited Six (6)-month FPE 30 June 2009		<----Audited----> <----FYE 31 December----> 2009		2008		2007	
			RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Income tax (expense)/ credit	(16,110)	(7,887)	(16,110)	(7,887)	(12,552)	(6,424)	(25,821)	(13,045)	(20,325)	(9,780)	1,242	561
PAT	72,792	35,704	78,031	38,205	62,481	31,978	132,773	67,077	114,813	55,249	73,915	33,381
Other comprehensive (loss)/ income												
Foreign currency translation	(19)	(7,146)	(19)	(7,146)	(41)	1,076	(141)	(1,684)	-	7,891	-	196
Total comprehensive income for the period/year	72,773	28,558	78,012	31,059	62,440	33,054	132,632	65,393	114,813	63,140	73,915	33,577
Profit attributable to:-												
- Owners of the Company	68,385	33,546	73,624	36,047	59,083	30,239	125,500	63,403	108,870	52,388	70,220	31,712
- MI	4,407	2,158	4,407	2,158	3,398	1,739	7,273	3,674	5,943	2,861	3,695	1,669
	72,792	35,704	78,031	38,205	62,481	31,978	132,773	67,077	114,813	55,249	73,915	33,381
Total comprehensive income attributable to:-												
- Owners of the Company	68,366	26,803	73,605	29,304	59,042	31,257	125,359	61,800	108,870	59,886	70,220	31,898
- MI	4,407	1,755	4,407	1,755	3,398	1,797	7,273	3,593	5,943	3,254	3,695	1,679
	72,773	28,558	78,012	31,059	62,440	33,054	132,632	65,393	114,813	63,140	73,915	33,577
EBITDA	96,289	47,208	101,528	49,709	78,619	40,237	169,722	85,744	140,691	67,702	77,726	35,101
Gross profit margin (%)	58.7	58.7	58.7	58.7	54.8	54.8	55.3	55.3	55.2	55.2	53.5	53.5
PBT margin (%)	38.8	38.8	41.1	41.1	42.3	42.3	42.2	42.2	44.8	44.8	40.7	40.7
PAT margin (%)	31.8	31.8	34.0	34.0	35.3	35.3	35.4	35.4	38.1	38.1	41.4	41.4
EPS (RMB/ RM) (excluding MI and proforma estimated listing expenses)	0.13	0.06	0.13	0.06	0.11	0.06	0.23	0.12	0.20	0.10	0.13	0.06

11. FINANCIAL INFORMATION (CONT'D)

	Proforma Six (6)-month FPE 30 June 2010		Audited Six (6)-month FPE 30 June 2010		Unaudited Six (6)-month FPE 30 June 2009		<---Audited---> <---FYE 31 December---> 2009		2008		2007	
			RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Current ratio (times)[*2] (Total current assets/ total current liabilities)	5.75	5.75	3.63	3.63	N/A	N/A	3.10	3.10	2.29	2.29	0.85	0.85
Gearing ratio (times)[*2] (Total liabilities/ total equity (excluding MI))	0.19	0.19	0.30	0.30	N/A	N/A	0.29	0.29	0.30	0.30	0.56	0.56
NTA (NA excluding MI and non-current prepayments)	326,931	156,069	298,725	142,609	N/A	N/A	225,016	113,059	161,548	82,381	84,440	38,234
NA (excluding MI)	334,795	159,822	306,589	146,362	N/A	N/A	232,984	117,058	169,724	86,538	92,824	42,035
NTA per ordinary share (RMB/ RM)[*3]	0.44	0.29	0.56	0.27	N/A	N/A	0.42	0.21	0.30	0.15	0.16	0.07
NA per ordinary share (RMB/ RM)[*3]	0.63	0.30	0.57	0.27	N/A	N/A	0.44	0.22	0.32	0.16	0.17	0.08
Number of ordinary share (after conversion of promissory notes and before Public Issue)	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450	535,450

Notes:-

*1 *As the holding company, Ouhua, was incorporated on 12 January 2009, the financial statements of the subsidiary, namely Ouhua PRC for the FYEs 31 December 2008 and 2007, were used in arriving at the above ratios.*

*2 *Based on the assumption of after conversion of promissory notes and before Public Issue*

*3 *Number of ordinary shares used in the calculation is based on Proforma I (after conversion of promissory notes and before Public Issue) in the proforma consolidated financial information*

The proforma consolidated statements of comprehensive income of our Group are mainly extracted from the audited financial statements of Ouhua PRC for the FYE 31 December 2007 and 2008 and the audited consolidated financial statements of Ouhua Group for the six (6)-month FPE 30 June 2010 which have been prepared in accordance with the applicable International Financial Reporting Standards for the purpose of inclusion in the preparation of the proforma consolidated statements of comprehensive income.

11. FINANCIAL INFORMATION (CONT'D)

11.1.2 Proforma Consolidated Statements of Financial Position

The following tables sets out a summary of the proforma consolidated statements of financial position based on our audited consolidated financial statements as at 30 June 2010 to show effects of the Restructuring Exercise, the Public Issue and the proposed utilisation of proceeds from our Public Issue on the assumption that the transactions were completed on 30 June 2010. The proforma consolidated statements of financial position are presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter together with the notes and assumptions accompanying in the proforma consolidated financial information set out in Section 13 of this Prospectus.

	As at 30 June 2010		Proforma I After conversion of convertible notes		Proforma II After I and the Public Issue		Proforma III After II and utilisation of proceeds	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
ASSETS								
Non-current assets								
Property, plant and equipment	36,212	17,280	36,212	17,280	36,212	17,280	61,211	29,210
Biological assets	91,741	43,779	91,741	43,779	91,741	43,779	91,741	43,779
Prepayments	7,864	3,753	7,864	3,753	7,864	3,753	7,864	3,753
Deferred tax assets	6,010	2,868	6,010	2,868	6,010	2,868	6,010	2,868
	141,827	67,680	141,827	67,680	141,827	67,680	166,826	79,610
Current assets								
Inventories	75,219	35,895	75,219	35,895	75,219	35,895	75,219	35,895
Trade and other receivables	103,228	49,260	103,228	49,260	103,228	49,260	103,228	49,260
Prepayments	1,968	939	1,968	939	1,968	939	-	-
Cash and cash equivalents	97,080	46,327	97,080	46,327	263,740	125,857	227,577	108,599
	277,495	132,421	277,495	132,421	444,155	211,951	406,024	193,754
TOTAL ASSETS	419,322	200,101	419,322	200,101	585,982	279,631	572,850	273,364
Current liabilities								
Income tax payable	4,306	2,055	4,306	2,055	4,306	2,055	4,306	2,055
Trade and other payables	40,235	19,200	40,235	19,200	40,235	19,200	40,235	19,200
Convertible notes	17,865	8,525	-	-	-	-	-	-
Derivative financial instruments	10,341	4,935	-	-	-	-	-	-
Other liabilities	3,696	1,764	3,696	1,764	3,696	1,764	3,696	1,764
	76,443	36,479	48,237	23,019	48,237	23,019	48,237	23,019

11. FINANCIAL INFORMATION (CONT'D)

	As at 30 June 2010		Proforma I After conversion of convertible notes		Proforma II After I and the Public Issue		Proforma III After II and utilisation of proceeds	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
NET CURRENT ASSET/ (LIABILITIES)	201,052	95,942	229,258	109,402	395,918	188,932	357,787	170,735
Non-current liability								
Deferred tax liabilities	15,143	7,226	15,143	7,226	15,143	7,226	15,143	7,226
TOTAL LIABILITIES	91,586	43,705	63,380	30,245	63,380	30,245	63,380	30,245
NET ASSETS	327,736	156,396	355,942	169,856	522,602	249,386	509,470	243,119
Share capital	-	-	28,206	13,460	194,866	92,990	186,973	89,224
Other reserve	22,036	10,071	22,036	10,071	22,036	10,071	22,036	10,071
Exchange translation reserve	61	(805)	61	(805)	61	(805)	61	(805)
MI	21,147	10,034	21,147	10,034	21,147	10,034	21,147	10,034
Equity contribution	2,570	1,299	2,570	1,299	2,570	1,299	2,570	1,299
Retained profits	281,922	135,797	281,922	135,797	281,922	135,797	276,683	133,296
TOTAL EQUITY	327,736	156,396	355,942	169,856	522,602	249,386	509,470	243,119
TOTAL EQUITY AND LIABILITIES	419,322	200,101	419,322	200,101	585,982	279,631	572,850	273,364
Number of ordinary shares in issue ('000)	500,000	500,000	535,450	535,450	668,000	668,000	668,000	668,000
Net assets (excluding MI) (RMB'000/ RM'000)	306,589	146,362	334,795	159,822	501,455	239,352	488,323	233,085
Net tangible assets (excluding MI) (RMB'000/ RM'000)	298,725	142,609	326,931	156,069	493,591	235,599	480,459	229,332
Net assets per ordinary share (excluding MI) (RMB/ RM)	0.61	0.29	0.63	0.30	0.75	0.36	0.73	0.35
Net tangible assets per ordinary share (excluding MI) (RMB/ RM)	0.60	0.29	0.61	0.29	0.74	0.35	0.72	0.34

11. FINANCIAL INFORMATION (CONT'D)

	As at 30 June 2010		Proforma I After conversion of convertible notes		Proforma II After I and the Public Issue		Proforma III After II and utilisation of proceeds	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Gearing ratio (Total liabilities/ total equity (excluding MI) (times)	0.30	0.30	0.19	0.19	0.13	0.13	0.13	0.13

Notes:-

*1 *The audited balance of the share capital of Ouhua as at 30 June 2010 is RMB474 (RM228)*

*2 *For the purpose of calculating NTA, non-current prepayments and MI have been excluded*

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11. FINANCIAL INFORMATION (CONT'D)

11.1.3 Proforma consolidated statement of cash flows

The following table sets out the proforma consolidated statements of cash flows of our Group for the FPE 30 June 2010, prepared based on the assumption that our Group has been in existence throughout the financial period under review. The proforma consolidated statements of cash flows are presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter together with the notes and assumptions accompanying the proforma consolidated financial information set out in Section 13 of this Prospectus.

	RMB'000	RM'000
Cash flows from operating activities		
PBT	88,902	43,591
Adjustments:-		
Amortisation of prepayments	104	51
Depreciation of property, plant and equipment	4,244	2,078
Interest expense	3,039	1,488
Interest income	(128)	(63)
Fair value gain on derivative financial instrument	(162)	(79)
Unrealised exchange gain	(4)	(2)
Operating profit before working capital changes	95,995	47,064
Inventories	(30,431)	(14,899)
Trade and other receivables	(18,797)	(9,203)
Prepayments	1,373	648
Trade and other payables	19,005	9,305
Other liabilities	14,158	6,760
Cash flows generated from operations	81,303	39,675
Interest income received	128	63
Income taxes paid	(15,744)	(7,708)
Net cash flows generated from operating activities	65,687	32,030
Cash flows used in investing activities		
Purchase of property, plant and equipment	(24,999)	(11,930)
Purchase of/ additions to biological assets	(3,672)	(1,798)
Net cash flows used in investing activities	(28,671)	(13,728)
Cash flows from financing activities		
Listing expenses paid	(21,666)	(10,339)
Proceeds from the proposed public issue of shares	166,660	79,530
Net cash flows generated from financing activities	144,994	69,191
Net increase in cash and cash equivalents	182,010	87,493
Exchange difference	-	(1,764)
Cash and cash equivalents at the beginning of the period	45,567	22,870
Cash and cash equivalents at the end of the period	227,577	108,599

11.2 Capitalisation and Indebtedness

The following table summarises our capitalisation and indebtedness:-

i. As at 30 June 2010 based on our proforma consolidated statements of financial position after the Restructuring Exercise; and

ii. As adjusted for the net proceeds arising from the issuance of 132,550,000 new Ouhua Shares pursuant to our Public Issue as well as the utilisation of proceeds as set out in Section 3.11 of this Prospectus.

	Proforma as at 30 June 2010 after the conversion of convertible notes		After adjustment for the Public Issue and utilisation of proceeds	
	RMB'000	RM'000	RMB'000	RM'000
Indebtedness				
Short-term indebtedness				
• Borrowings (Secured and guaranteed)	-	-	-	-
Long-term indebtedness	-	-	-	-
Total indebtedness	-	-	-	-
Capitalisation				
• Shareholders' equity (excluding MI)	334,795	159,822	488,323	233,085
Total capitalisation (including MI)	**355,942**	**169,856**	**509,470**	**243,119**
Total indebtedness and capitalisation	**355,942**	**169,856**	**509,470**	**243,119**

The indirect and contingent liabilities of our Group are set out in Section 11.4.9 of this Prospectus.

11.3 Management's Discussion and Analysis of Financial Conditions, Results of Operations and Prospects

The following management's discussion and analysis of our Group's financial condition, results of operations and prospect as set out in Section 11.3 of this Prospectus have been made based on our proforma consolidated financial information for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009 which have been prepared for illustrative purposes to reflect what our financial position would have been throughout the financial years and periods under review and should be read in conjunction with the Accountants' Report and the Reporting Accountants' Letter together with the notes and assumptions accompanying on the proforma consolidated financial information set out in Sections 12 and 13 of this Prospectus.

The discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involves risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

11.3.1 Overview of operations

We are one of the producers and distributors of quality grape wines in the PRC, our business operations spanning across the entire value chain of the wine industry, from the cultivation of vineyards and production of wines to the strategic management of distribution networks for our wine labels.

Our Group produces and distributes for sale red and white wines under our flagship Fazenda Ohua Wine labels and International Wine labels, of which are produced from locally sourced grapes and wine materials as well as imported wine materials of French, Australian, Spanish, Chilean and German origins.

Our wines are primarily distributed for sale within the PRC through our appointed master distributors, who in turn distribute these wines to sub-distributors and/ or end consumers via an extensive retail network of Fazenda Ohua specialty stores. Other distribution channels include direct sales to retail intermediaries such as hypermarkets, retail outlets and third party specialty stores that sell alcohol, food & beverage establishments such as restaurants, hotels and entertainment outlets.

Our vineyards in the Yantai-Penglai City span across cultivation areas of approximately 5,500 Mu (equivalent to approximately 3.67 million Sq m) in aggregate. We place strong emphasis on product quality and have established stringent quality control and assurance procedures to ensure adherence to quality, cleanliness and high hygiene standards in our production, storage and transportation of our wines.

11.3.2 Revenue

Our principal source of revenue is derived from the sales of our two (2) wine products, namely red wines and white wines. We currently distribute for sale of approximately 147 varieties of red and white wines under our flagship Fazenda Ohua Wine labels and our International Wine labels.

Our revenues for the FYE 31 December 2009, 2008 and 2007 were approximately RMB375.5 million, RMB301.5 million and RMB178.7 million respectively, representing a CAGR of approximately 45.0%. Our revenues for the six (6)-month FPE 30 June 2010 and 2009 were approximately RMB229.3 million and RMB177.2 million respectively, representing an increase of approximately 29.4%.

As illustrated in Section 7.5.1 of this Prospectus, revenue recorded for wine industry in PRC in year 2005, 2006, 2007, 2008 and 2009 stood at approximately RMB10.9 billion, RMB14.1 billion, RMB16.5 billion, RMB20.2 billion and RMB28.3 billion respectively, representing a CAGR of approximately 23.5%. Wine consumption in the PRC also grew at a rapid rate from approximately 282 ML in year 2001 to approximately 858 ML in 2008, recording a CAGR of approximately 17.2%.

The growing trend of our revenue was in line with the overall wine industry growth trend in PRC. The higher than proportionate growth rate of our Group's revenue over the industry growth rate was attributed to more aggressive advertising, broadcasting and public relations efforts in the recent years, to increase the brand awareness of our wine labels among consumers. The strong improvement in our revenue signifies the success of our product development, branding, marketing and sales strategies in our target markets. Apart from that, our extensive and professionally managed distribution and sales network is also one of the main factors for the strong growth in our revenue.

The accelerating wine demand and consumption of wine in the PRC has also largely contributed to our revenue growth. With the influence of western eating and drinking habits, the culture of drinking grape wine has been accepted by consumers in the PRC. Wine has also become a fashionable drink for the younger generation and wealthier elite. The increasing consumer demand is also due to, *inter alia*, the rising average disposable income and affluent groups in recent years. The number of domestic medium to high income groups has grown rapidly resulting from strong economic growth in the PRC. Also, over the years, domestic consumer behaviour has matured especially among the younger generation who placed higher emphasis on healthy and contemporary lifestyles drinking trend contributing to the surge in demand for wine.

11.3.3 Segmental Analysis

The following is the segmental analysis of the proforma consolidated results of our Group for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009. The proforma consolidated results are provided for illustrative purposes only and on the assumption that the existing structure of our Group had been in existence throughout the financial years and periods under review.

Revenue

Revenue analysis by products

The breakdowns of our Group's revenue by product categories are set out below:-

In RMB

	FPE 30 June				FYE 31 December					
	2010		2009		2009		2008		2007	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Red wines	199,227	86.9	156,162	88.1	333,591	88.8	271,009	89.9	153,687	86.0
White wines	30,043	13.1	21,049	11.9	41,939	11.2	30,508	10.1	25,049	14.0
Total	**229,270**	**100.0**	**177,211**	**100.0**	**375,530**	**100.0**	**301,517**	**100.0**	**178,736**	**100.0**

11. FINANCIAL INFORMATION (CONT'D)

In RM

	<---FPE 30 June---		--->		<---	FYE 31 December			--->	
	2010		2009		2009		2008		2007	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Red wines	97,542	86.9	79,924	88.1	168,530	88.8	130,410	89.9	69,406	86.0
White wines	14,709	13.1	10,773	11.9	21,188	11.2	14,680	10.1	11,312	14.0
Total	**112,251**	**100.0**	**90,697**	**100.0**	**189,718**	**100.0**	**145,090**	**100.0**	**80,718**	**100.0**

Revenue contribution from our red wine products represented approximately 86.9%, 88.8%, 89.9% and 86.0% of our total revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007 respectively, while revenue contribution from white wine products represented approximately 13.1%, 11.2%, 10.1% and 14.0% of our total revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007 respectively. The higher demand for our red wine products as compared to our white wine products was generally due to domestic consumers' prevalent preference for red wines over white wines.

Revenue analysis by distribution channels

The breakdowns of our Group's revenue by distribution channels are set out below:-

In RMB

	<---FPE 30 June---		--->		<---	FYE 31 December			--->	
	2010		2009		2009		2008		2007	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PRC distributors	212,493	92.7	154,975	87.5	336,869	89.7	273,751	90.8	132,816	74.3
Direct sales to retailers	16,777	7.3	22,236	12.5	38,661	10.3	27,766	9.2	45,920	25.7
Total	**229,270**	**100.0**	**177,211**	**100.0**	**375,530**	**100.0**	**301,517**	**100.0**	**178,736**	**100.0**

In RM

	<---FPE 30 June---		--->		<---	FYE 31 December			--->	
	2010		2009		2009		2008		2007	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PRC distributors	104,037	92.7	79,317	87.5	170,186	89.7	131,729	90.8	59,980	74.3
Direct sales to retailers	8,214	7.3	11,380	12.5	19,532	10.3	13,361	9.2	20,738	25.7
Total	**112,251**	**100.0**	**90,697**	**100.0**	**189,718**	**100.0**	**145,090**	**100.0**	**80,718**	**100.0**

11. FINANCIAL INFORMATION (CONT'D)

Our wine products are distributed through an extensive distribution channel, mainly through domestic or PRC distributors and direct sales to retailers. Our PRC distributors sell our products via Fazenda Ohua specialty stores which subsequently distribute to other sub-distributors, retailers or end consumers via an extensive network. We also have direct sales to domestic retailers such as hypermarkets, restaurants, hotel and entertainment outlets.

The breakdowns of the number of customers under each distribution channels are set out below:-

	Number of customers				
	<-----FPE 30 June---->		<------------FYE 31 December----------->		
	2010	**2009**	**2009**	**2008**	**2007**
PRC distributors	13	9	13	31	47
Direct sales to retailers	5	6	6	10	18
Total	**18**	**15**	**19**	**41**	**65**

The reduction in number of PRC distributors and retailers throughout the financial years and periods under review was due to the collaborations of distributors and/ or retailers under the appointed master distributors which started taking place during the FYE 31 December 2008. Our respective regional distributors and retailers within the similar province/ region were collaborated and assigned under an appointed master distributor who is responsible for the sales activities within the particular province or region. Through our product supply to the master distributors, they will in turn distribute to sub-distributors, retailers and end customers assigned under them via an extensive retail network of Fazenda Ohua specialty stores.

Revenue analysis by wine labels

In addition to our flagship Fazenda Ohua Wine labels, we also distribute our red wine and white wine products under our International Wine labels for sale to our PRC distributors and retailers.

The breakdowns of our Group's revenue by wine labels are set out below:-

In RMB

	<-----------------FPE 30 June	------------->			<------------------------FYE 31 December				----------------------->	
	2010		**2009**		**2009**		**2008**		**2007**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Fazenda Ohua	173,436	75.6	135,939	76.7	290,757	77.4	208,725	69.2	178,736	100.0
International	55,834	24.4	41,272	23.3	84,773	22.6	92,792	30.8	-	-
Total	**229,270**	**100.0**	**177,211**	**100.0**	**375,530**	**100.0**	**301,517**	**100.0**	**178,736**	**100.0**

11. FINANCIAL INFORMATION (CONT'D)

	<-----FPE 30 June----->				<-----FYE 31 December----->					
	2010		2009		2009		2008		2007	
Red Wine	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Fazenda Ohua	148,876	74.7	118,432	75.8	256,777	77.0	189,232	69.8	153,687	100.0
International	50,351	25.3	37,730	24.2	76,814	23.0	81,777	30.2	-	-
Total	**199,227**	**100.0**	**156,162**	**100.0**	**333,591**	**100.0**	**271,009**	**100.0**	**153,687**	**100.0**

	<-----FPE 30 June----->				<-----FYE 31 December----->					
	2010		2009		2009		2008		2007	
White Wine	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Fazenda Ohua	24,560	81.7	17,507	83.2	33,980	81.0	19,493	63.9	25,049	100.0
International	5,483	18.3	3,542	16.8	7,959	19.0	11,015	36.1	-	-
Total	**30,043**	**100.0**	**21,049**	**100.0**	**41,939**	**100.0**	**30,508**	**100.0**	**25,049**	**100.0**

In RM

	<-----FPE 30 June----->				<-----FYE 31 December----->					
	2010		2009		2009		2008		2007	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Fazenda Ohua	84,915	75.6	69,574	76.7	146,891	77.4	100,438	69.2	80,718	100.0
International	27,336	24.4	21,123	23.3	42,827	22.6	44,652	30.8	-	-
Total	**112,251**	**100.0**	**90,697**	**100.0**	**189,718**	**100.0**	**145,090**	**100.0**	**80,718**	**100.0**

	<-----FPE 30 June----->				<-----FYE 31 December----->					
	2010		2009		2009		2008		2007	
Red Wine	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Fazenda Ohua	72,890	74.7	60,614	75.8	129,724	77.0	91,058	69.8	69,406	100.0
International	24,652	25.3	19,310	24.2	38,806	23.0	39,352	30.2	-	-
Total	**97,542**	**100.0**	**79,924**	**100.0**	**168,530**	**100.0**	**130,410**	**100.0**	**69,406**	**100.0**

	<-----FPE 30 June----->				<-----FYE 31 December----->					
	2010		2009		2009		2008		2007	
White Wine	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Fazenda Ohua	12,025	81.7	8,960	83.2	17,167	81.0	9,380	63.9	11,312	100.0
International	2,684	18.3	1,813	16.8	4,021	19.0	5,300	36.1	-	-
Total	**14,709**	**100.0**	**10,773**	**100.0**	**21,188**	**100.0**	**14,680**	**100.0**	**11,312**	**100.0**

There was a rising trend in demand and passion towards international/ imported wines from domestic consumers. To cater to consumers' taste buds and the surge in demand as well as to offer greater product options to our consumers, we introduced wines produced from imported wine materials in FYE 31 December 2008, distributed under our International Wine labels. However, our flagship Fazenda Ohua Wine labels remained the core revenue contributor since the introduction of International Wine labels, representing approximately 75.6%, 77.4% and 69.2% for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009 and 2008 respectively.

Average selling price and sales volume analysis (in number of bottles) for our flagship Fazenda Ohua Wine labels and International Wine labels

The following table sets out the average selling prices and the number of wine bottles sold under both of our flagship Fazenda Ohua Wine labels and International Wine labels for both red and white wine products:-

	<------FYE 31 December------>					
	2009		2008		2007	
	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)
Red wines						
Fazenda Ohua	36.5	7,038	34.1	5,546	27.8	5,527
International	41.1	1,870	40.9	1,997	-	-
	37.5	**8,908**	**35.9**	**7,543**	**27.8**	**5,527**

	<------FYE 31 December------>					
	2009		2008		2007	
	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)
White wines						
Fazenda Ohua	29.2	1,165	28.0	696	22.3	1,124
International	32.0	248	33.6	328	-	-
	29.7	**1,413**	**29.8**	**1,024**	**22.3**	**1,124**

	<------FYE 31 December------>					
	2009		2008		2007	
	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)
Wine labels						
Fazenda Ohua	35.4	8,203	33.4	6,242	26.9	6,651
International	40.0	2,118	39.9	2,325	-	-
	36.4	**10,321**	**35.2**	**8,567**	**26.9**	**6,651**

11. FINANCIAL INFORMATION (CONT'D)

	<--FPE 30 June--			-->
	2010		2009	
	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)
Red wines				
Fazenda Ohua	35.1	4,242	34.2	3,461
International	40.6	1,240	42.5	887
	36.3	**5,482**	**35.9**	**4,348**

	<--FPE 30 June--			-->
	2010		2009	
	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)
White wines				
Fazenda Ohua	32.4	757	27.7	631
International	31.3	175	31.4	113
	32.2	**932**	**28.3**	**744**

	<--FPE 30 June--			-->
	2010		2009	
	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)	Average selling price (RMB/ unit)	Number of bottles sold 750ml ('000)
Wine labels				
Fazenda Ohua	34.7	4,999	33.2	4,092
International	39.5	1,415	41.3	1,000
	35.7	**6,414**	**34.8**	**5,092**

Note:-

Average selling price is calculated using revenue divided by number of bottles sold

Revenue analysis by geographical regions

The breakdown of our Group's revenue by geographical location are set out as below:-

In RMB

	<-----FPE 30 June-----		-----	----->	<-----FYE 31 December-----				-----	----->
	2010		2009		2009		2008		2007	
Regions	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Fujian	69,289	30.2	55,034	31.1	114,287	30.4	90,184	29.9	57,230	32.0
Shandong	22,557	9.8	21,652	12.2	41,804	11.1	32,009	10.6	39,521	22.1
Beijing	25,249	11.0	18,857	10.6	40,237	10.7	37,773	12.5	19,646	11.0
Guangdong	22,853	10.0	17,903	10.1	37,015	9.9	28,248	9.4	23,602	13.2
Zhejiang	20,640	9.0	15,595	8.8	32,793	8.7	27,302	9.1	4,752	2.7
Shanghai	20,745	9.1	15,768	8.9	33,624	9.0	26,723	8.9	3,217	1.8
Sichuan	20,552	9.0	18,026	10.2	35,724	9.5	35,818	11.9	2,354	1.3
Hebei	11,469	5.0	9,823	5.5	19,975	5.3	17,951	5.9	13,515	7.6
Others[*1]	15,916	6.9	4,553	2.6	20,071	5.4	5,509	1.8	14,899	8.3
Total	**229,270**	**100.0**	**177,211**	**100.0**	**375,530**	**100.0**	**301,517**	**100.0**	**178,736**	**100.0**

In RM

	<-----FPE 30 June-----		-----	----->	<-----FYE 31 December-----				-----	----->
	2010		2009		2009		2008		2007	
Regions	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Fujian	33,924	30.2	28,166	31.1	57,738	30.4	43,397	29.9	25,845	32.0
Shandong	11,044	9.8	11,081	12.2	21,119	11.1	15,403	10.6	17,848	22.1
Beijing	12,362	11.0	9,651	10.6	20,328	10.7	18,176	12.5	8,872	11.0
Guangdong	11,189	10.0	9,163	10.1	18,700	9.9	13,593	9.4	10,659	13.2
Zhejiang	10,105	9.0	7,982	8.8	16,567	8.7	13,138	9.1	2,146	2.7
Shanghai	10,157	9.1	8,070	8.9	16,987	9.0	12,859	8.9	1,453	1.8
Sichuan	10,062	9.0	9,226	10.2	18,048	9.5	17,236	11.9	1,063	1.3
Hebei	5,615	5.0	5,027	5.5	10,091	5.3	8,638	5.9	6,103	7.6
Others[*1]	7,793	6.9	2,331	2.6	10,140	5.4	2,650	1.8	6,729	8.3
Total	**112,251**	**100.0**	**90,697**	**100.0**	**189,718**	**100.0**	**145,090**	**100.0**	**80,718**	**100.0**

Note:-

*1 *Other regions include Jiangsu, Jiangxi, Liaoning and Jilin*

Our Group's sales in PRC were primarily focused on provinces such as Fujian, Guangdong, Beijing, Hebei, Shanghai, Zhejiang, Sichuan and Shandong. We intend to focus on increasing our existing market share in these provinces by intensifying our sales and marketing efforts. These provinces are widely recognised as the major or huge market for wines especially big cities like Beijing, Shanghai as well as Guangdong and thus we believe it presents a huge potential for growth for our wine products. As part of our future expansion plan, we also intend to explore expansion opportunities in new geographical areas mainly Jiangsu, Jiangxi, Liaoning and Jilin province.

Our Group's sales are mainly denominated in RMB. Revenue is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. We generally do not allow any sales returns by our customers unless due to product quality matters. For the financial years and periods under review, we did not experience any material sales returns by our customers arising from product quality matters.

Cost of Sales

Cost of sales analysis by products

The breakdowns of our Group's cost of sales by product categories are set out below:-

In RMB

	FPE 30 June				FYE 31 December					
	2010		**2009**		**2009**		**2008**		**2007**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Red wines	81,676	86.3	72,386	90.3	152,129	90.5	123,875	91.7	70,745	85.0
White wines	12,926	13.7	7,792	9.7	15,895	9.5	11,158	8.3	12,437	15.0
Total	**94,602**	**100.0**	**80,178**	**100.0**	**168,024**	**100.0**	**135,033**	**100.0**	**83,182**	**100.0**

In RM

	FPE 30 June				FYE 31 December					
	2010		**2009**		**2009**		**2008**		**2007**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Red wines	39,989	86.3	37,047	90.3	76,856	90.5	59,609	91.7	31,948	85.0
White wines	6,328	13.7	3,988	9.7	8,030	9.5	5,369	8.3	5,617	15.0
Total	**46,317**	**100.0**	**41,035**	**100.0**	**84,886**	**100.0**	**64,978**	**100.0**	**37,565**	**100.0**

The overall increasing trend in cost of sales for the respective red and white wines was generally in line with the growing revenue trends in the product categories during the financial years and periods under review.

Cost of sales analysis by major components

Our cost of sales mainly comprised material costs, direct labour costs and manufacturing overheads and consumption tax and other taxes. The breakdowns of our Group's cost of sales by major components are set out below:-

In RMB

	FPE 30 June				FYE 31 December					
	2010		2009		2009		2008		2007	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Materials	67,514	71.4	58,280	72.7	122,041	72.6	96,343	71.4	57,646	69.3
Direct labour	377	0.4	510	0.6	986	0.6	1,120	0.8	978	1.2
Manufacturing overheads	3,348	3.5	3,368	4.2	6,724	4.0	6,954	5.1	6,289	7.5
Consumption tax and other taxes	23,363	24.7	18,020	22.5	38,273	22.8	30,616	22.7	18,269	22.0
Total	**94,602**	**100.0**	**80,178**	**100.0**	**168,024**	**100.0**	**135,033**	**100.0**	**83,182**	**100.0**

In RM

	FPE 30 June				FYE 31 December					
	2010		2009		2009		2008		2007	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Materials	33,055	71.4	29,828	72.7	61,655	72.6	46,360	71.4	26,033	69.3
Direct labour	185	0.4	261	0.6	498	0.6	539	0.8	442	1.2
Manufacturing overheads	1,639	3.5	1,724	4.2	3,397	4.0	3,346	5.1	2,840	7.5
Consumption tax and other taxes	11,438	24.7	9,222	22.5	19,336	22.8	14,733	22.7	8,250	22.0
Total	**46,317**	**100.0**	**41,035**	**100.0**	**84,886**	**100.0**	**64,978**	**100.0**	**37,565**	**100.0**

The overall increasing trend in costs of sales as shown above was generally in line with the increasing revenue trend during the respective financial years and periods under review.

Material costs accounted for approximately 71.4%, 72.6%, 71.4% and 69.3% of our total cost of sales in the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. Materials used for our wine production mainly comprised raw materials, wine materials and packaging materials. Items used as packaging materials for our production include bottles, labels and corks.

Raw materials are primarily grapes, yeast and additives for the production of our flagship Fazenda Ohua Wine labels. As the first harvest of grapes from our own vineyards only took place in September 2009, grapes used for our flagship Fazenda Ohua Wine labels were sourced from local farmers and/ or suppliers from regions neighbouring our wine estates. We harvested approximately 1,000 tonnes of grape from our vineyards in September 2009, which was sufficient to meet approximately 7.8% of the total wine production of approximately 7,650 tonnes for 2009.

Wine materials refer to fermented wines, which we purchase from local suppliers and/ or wine material traders or imported directly from the respective country of origin. As part of our winemaking process, wine materials purchased from suppliers were put through a cold stabilisation process prior to the bottling process for both of our flagship Fazenda Ohua Wines labels and International Wine labels.

We generally purchase our materials in bulk from suppliers both inside and outside the PRC. We did not experience significant fluctuation in the prices of materials during the respective financial years and periods under review.

Direct labour costs accounted for approximately 0.4%, 0.6%, 0.8% and 1.2% of our cost of sales for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. Direct labour costs comprised mainly of salaries and wages as well as other staff-related costs for workers who are directly involved in the manufacturing process, which is dependent on factors such as number of employees, production volume, industry level of wages and labour conditions. There was a decreasing trend of direct labour cost due to the benefit of economies of scale resulting from the increase production volumes during the respective financial years and periods under review.

Manufacturing overheads accounted for approximately 3.5%, 4.0%, 5.1% and 7.5% of our cost of sales in the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. Manufacturing overheads comprised mainly of amortisation of factory improvement cost, depreciation charge on plant and machinery, rentals, salaries and other staff-related costs and utility expenses. These expenses were partly affected by the level of production activity.

We were subject to consumption tax and other taxes on sales of our wine products in the PRC. Consumption tax is calculated at a rate of 10% based on the selling price. Consumption tax accounted for approximately 24.7%, 22.8%, 22.7% and 22.0% of our total cost of sales in the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively.

Gross profit and Gross profit margin

<u>Overall gross profit margin</u>

Our Group's overall gross profit margin is set out below:-

<------------FPE 30 June-------->		<-----------------FYE 31 December---------------->		
2010	2009	2009	2008	2007
%	%	%	%	%
58.7	54.8	55.3	55.2	53.5

11. FINANCIAL INFORMATION (CONT'D)

Our overall gross profit margin was affected by changes in each of our product's gross profit margin and its respective revenue contribution. As the gross profit margin for each of our products may vary widely, our overall gross profit margin was generally affected by our sales mix.

Any decrease in the selling price of our products without a corresponding decrease in our cost of sales, or conversely any increase in our cost of sales without a corresponding increase in the selling price of our products would have an adverse effect on our gross profit margin. Besides the sales mix, the key factors, *inter alia*, that affected our revenue and our cost of sales would also affect our gross profit margin.

Our overall gross profit margin was approximately 58.7%, 55.3%, 55.2% and 53.5% for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. The increasing trend of our overall gross profit margin over the financial years and periods under review was in line with the growing gross profit of our products, largely attributable to better pricing premium resulting from strong branding and market positioning achieved from our improved product development, branding, marketing and sales strategies, including the introduction of our International Wine labels during the FYE 31 December 2008. This was also due to the benefits of economies of scale achieved from increasing production volumes over the financial years and periods under review.

Gross profit and gross profit margin analysis by products

The breakdowns of our Group's gross profit and gross profit margin by product categories are set out below:-

In RMB

	FPE 30 June				FYE 31 December					
	2010		**2009**		**2009**		**2008**		**2007**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Red wines	117,551	87.3	83,776	86.3	181,462	87.4	147,134	88.4	82,942	86.8
White wines	17,117	12.7	13,257	13.7	26,044	12.6	19,350	11.6	12,612	13.2
Total	**134,668**	**100.0**	**97,033**	**100.0**	**207,506**	**100.0**	**166,484**	**100.0**	**95,554**	**100.0**
Margin										
Red wines		59.0%		53.7%		54.4%		54.3%		54.0%
White wines		57.0%		63.0%		62.1%		63.4%		50.4%

11. FINANCIAL INFORMATION (CONT'D)

In RM

	FPE 30 June				FYE 31 December					
	2010 RM'000	%	2009 RM'000	%	2009 RM'000	%	2008 RM'000	%	2007 RM'000	%
Red wines	57,553	87.3	42,877	86.3	91,674	87.4	70,801	88.4	37,457	86.8
White wines	8,381	12.7	6,785	13.7	13,158	12.6	9,311	11.6	5,695	13.2
Total	**65,934**	**100.0**	**49,662**	**100.0**	**104,832**	**100.0**	**80,112**	**100.0**	**43,152**	**100.0**
Margin										
Red wines		59.0%		53.7%		54.4%		54.3%		54.0%
White wines		57.0%		63.0%		62.1%		63.4%		50.4%

Gross profit margin for our red wine products was relatively stable and increased marginally over the period under review while there was a sharp increase in gross profit margin in the first half of 2010 which was mainly attributable to price revision in 4^{th} quarter of 2009.

Gross profit margin for our white wine products increased sharply from FYE 31 December 2007 to FYE 31 December 2008 which was mainly attributable to increase in selling price of the product ranges resulting from the introduction of premium white wine series. However, there was a sharp decrease in gross profit margin in the first half of 2010 which was mainly due to increase in cost of grape greater than a rise in selling price.

Gross profit and gross profit margin analysis by wine labels

The breakdowns of our Group's gross profit and gross profit margin by wine labels are set out below:-

In RMB

	FPE 30 June				FYE 31 December					
	2010 RMB'000	%	2009 RMB'000	%	2009 RMB'000	%	2008 RMB'000	%	2007 RMB'000	%
Fazenda Ohua	103,131	76.6	73,419	75.7	160,187	77.2	112,084	67.3	95,554	100.0
International	31,537	23.4	23,614	24.3	47,319	22.8	54,400	32.7	-	-
Total	**134,668**	**100.0**	**97,033**	**100.0**	**207,506**	**100.0**	**166,484**	**100.0**	**95,554**	**100.0**
Margin										
Fazenda Ohua		59.5%		54.0%		55.1%		53.7%		53.5%
International		56.5%		57.2%		55.8%		58.6%		-

In RM

	<--FPE 30 June--			-->	<--FYE 31 December--					-->
	2010		2009		2009		2008		2007	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fazenda Ohua	50,493	76.6	37,576	75.7	80,926	77.2	53,935	67.3	43,153	100.0
International	15,441	23.4	12,086	24.3	23,906	22.8	26,177	32.7	-	-
Total	**65,934**	**100.0**	**49,662**	**100.0**	**104,832**	**100.0**	**80,112**	**100.0**	**43,153**	**100.0**
Margin										
Fazenda Ohua		59.5%		54.0%		55.1%		53.7%		53.5%
International		56.5%		57.2%		55.8%		58.6%		-

We introduced our International Wine labels into our existing product range during the FYE 31 December 2008, which enjoyed relatively higher gross profit margin than our flagship Fazenda Ohua Wine labels due to relatively higher premium of average selling price achieved over unit cost.

Marketing and distribution expenses

Marketing and distribution expenses represented approximately 11.0%, 9.1%, 7.3% and 7.8% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. Marketing and distribution expenses comprised mainly advertising and promotion expenses, salaries and sales commission to our sales and marketing staff and transportation expenses. In particular, advertising and promotion expenses accounted for approximately 65.3%, 60.9%, 47.0% and 43.1% of our total marketing and distribution expenses for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. As a percentage over revenue, advertising and promotion expenses accounted for approximately 7.2%, 5.5%, 3.4% and 3.4% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007 respectively.

Advertising and promotion expenses primarily comprised sales incentives given to our PRC distributors and retailers and media advertising expenses, including advertisement expenses on television, outdoor signboards and newspapers.

Administrative expenses

Administrative expenses represented approximately 4.2%, 3.6%, 3.2% and 4.4% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. Administrative expenses comprised mainly depreciation charges, rental expenses of our office building and vineyards, salaries and staff-related expenses to general administrative staff and other general office overheads expenses.

Other operating expenses

Other operating expenses represented approximately 1.3%, 1.5%, 0.2% and 0.7% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. For the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, it mainly represented the listing expenses in respect of our IPO. For the FYE 31 December 2008, it represented the costs of oak tanks sold whereas for the FYE 31 December 2007, it was related to a property, plant and equipment written off of approximately RMB1.2 million.

Finance income and other income

Total finance income and other income represented approximately 0.1%, 1.8%, 0.2% and 0.1% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. For the FPE 30 June 2010 and the FYE 31 December 2009, other income comprised mainly of deemed income from our first grape harvest in September 2009 and fair value gain on derivative financial instruments. For FYE 31 December 2008, it comprised mainly of gain on sales of oak storage tanks.

Finance costs

Finance costs represented approximately 1.3% and 0.7% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, respectively. For the FPE 30 June 2010 and the FYE 31 December 2009, finance costs related to accretion of interest on unsecured convertible promissory notes of SGD5.5 million issued to our Pre-IPO Investors as well as interest charges on our short term bank borrowings. For the FYE 31 December 2008, it was merely related to interest charges on our short term bank borrowings.

Taxation

Based on the Income Tax Law of the PRC applicable to Enterprises with Foreign Investment and Foreign Enterprise, our subsidiary, Ouhua PRC which established as a sino-foreign joint venture with foreign investment in the PRC, is entitled to exemption from Enterprise Income Tax ("EIT") and local income tax for two (2) years commencing from its first profit-making year of operation and a 50% relief from EIT rate for the following three (3) years. As Ouhua PRC is engaged in the manufacturing business established in a coastal area, it is entitled to a reduced EIT rate of 24% and is exempted from the local income tax rate of 3%. Ouhua PRC's first profitable year commenced from 2006 and was exempted from tax for the FYE 31 December 2006 and 2007. Between 2002, which was the year of incorporation of Ouhua PRC up to 2005, Ouhua PRC was in a tax loss position.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the Enterprise Income Tax of the PRC ("EIT Law") was approved and became effective on 1 January 2008. The EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25% and the cessation of local income tax. Based on the implementation and administrative rules and regulations relating to the EIT Law and Income Tax Law of the PRC for Enterprises with Foreign Investment, Ouhua PRC is subjected to an income tax rate of 12.5% for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2008 and 2009.

Our taxation expense represented 7.0%, 6.9%, 6.7% and -0.7% of our revenue for the six (6)-month FPE 30 June 2010 and the FYE 31 December 2009, 2008 and 2007, respectively. Temporary differences in operating lease, fixed assets and etc have resulted in deferred tax assets being recognised during the financial years under review. As FYE 31 December 2007 was exempted from EIT and local income tax, temporary differences had resulted in tax credits in FYE 31 December 2007.

11.3.4 Review of historical results

<u>**Six (6)-month FPE 30 June 2010 vs Six (6)-month FPE 30 June 2009**</u>

Revenue

Our revenue grew by approximately RMB52.1 million or 29.4% from approximately RMB177.2 million recorded in the six (6)-month FPE 30 June 2009 to approximately RMB229.3 million in the six (6)-month FPE 30 June 2010. The increase in revenue contributed by our red wine products was approximately RMB43.0 million or 27.6% from approximately RMB156.2 million in the six (6)-month FPE 30 June 2009 to approximately RMB199.2 million in the six (6)-month FPE 30 June 2010 while there was an increase of approximately RMB9.0 million or 42.7% in revenue from our white wine products from approximately RMB21.0 million in the six (6)-month FPE 30 June 2009 to approximately RMB30.0 million in the six (6)-month FPE 30 June 2010. The revenue growth was mainly due to higher sales volumes achieved in both products in the six (6)-month FPE 30 June 2010 as compared to the six (6)-month FPE 30 June 2009. The increases in our sales volumes by product were as follows:-

i. Our total sales volumes for our red wine products increased by approximately 1.1 million bottles or 26.1% from approximately 4.4 million bottles in the six (6)-month FPE 30 June 2009 to approximately 5.5 million bottles in the six (6)-month FPE 30 June 2010, largely from our flagship Fazenda Ohua Wine labels; and

ii. Our total sales volumes for our white wine products increased by approximately 0.2 million bottles or 25.3% from approximately 0.7 million bottles in the six (6)-month FPE 30 June 2009 to approximately 0.9 million bottles in the six (6)-month FPE 30 June 2010, largely contributed by our flagship Fazenda Ohua Wine labels.

The above increase in sales volumes was mainly driven by our continued effort to penetrate into the PRC's wine markets via extension of distribution and retail channels through Fazenda Ohua specialty stores and boosting our flagship Fazenda Ohua Wine labels and wine products' awareness among consumers through increased media advertisement such as television and newspapers in our targeted PRC markets.

The effect of the above increase in sales volumes on our revenues was further fuelled by the increase in the average selling price of our white wine products. The overall average selling price for our white wine products increased by approximately RMB3.9 or 13.8% per bottle from approximately RMB28.3 per bottle in the six (6)-month FPE 30 June 2009 to RMB32.2 per bottle in the six (6)-month FPE 30 June 2010. The increase in average selling price was mainly due to upward revision of selling price of our local Fazenda Ohua Wines at the end of 2009.

Cost of sales and gross profit margin

Our cost of sales increased by approximately RMB14.4 million or 18.0% from approximately RMB80.2 million in the six (6)-month FPE 30 June 2009 to approximately RMB94.6 million in the six (6)-month FPE 30 June 2010 in tandem with the increased revenue, while gross profit increased by approximately RMB37.7 million or 38.8% from approximately RMB97.0 million in the six (6)-month FPE 30 June 2009 to approximately RMB134.7 million in the six (6)-month FPE 30 June 2010. As a result, our overall gross profit margin improved from approximately 54.8% in the six (6)-month FPE 30 June 2009 to approximately 58.7% in the six (6)-month FPE 30 June 2010. This was mainly attributed to an increase in gross profit margin of our red wine products, which improved from approximately 53.7% in the six (6)-month FPE 30 June 2009 to approximately 59.0% in the six (6)-month FPE 30 June 2010, and was partially offset by a decrease in gross profit margin of our white wine products from approximately 63.0% in the six (6)-month FPE 30 June 2009 to approximately 57.0% in the six (6)-month FPE 30 June 2010.

The improvement in gross profit margin of our red wine products was mainly attributable to price revision at the end of 2009 while the decrease in gross profit margin of our white wine products was mainly due to increase in average cost of sales by approximately RMB3.4 or 32.4% per bottle from approximately RMB10.5 per bottle in the six (6)-month FPE 30 June 2009 to approximately RMB13.9 per bottle in the six (6)-month FPE 30 June 2010. The increase in cost of sales of our products was mainly attributed to the increase in cost of white grape purchased.

Marketing and distribution expenses

Our marketing and distribution expenses increased by approximately RMB11.3 million or 81.4% from approximately RMB13.9 million in the six (6)-month FPE 30 June 2009 to approximately RMB25.2 million in the six (6)-month FPE 30 June 2010. The increase in marketing and distribution expenses was directly attributable to an increase in advertising and promotion expenses of approximately RMB8.9 million or 116.9% from approximately RMB7.6 million in the six (6)-month FPE 30 June 2009 to approximately RMB16.5 million in the six (6)-month FPE 30 June 2010, which was due to increase in advertising activities and also sales incentives given to distributors and retailers. Besides, our sales commission to our sales and marketing personnel increased by approximately RMB1.1 million or 40.7% from approximately RMB2.7 million in the six (6)-month FPE 30 June 2009 to approximately RMB3.8 million in the six (6)-month FPE 30 June 2010 for higher sales achieved.

Administrative expenses

Administrative expenses increased by approximately RMB3.8 million or 66.0% from approximately RMB5.8 million in the six (6)-month FPE 30 June 2009 to approximately RMB9.6 million in the six (6)-month FPE 30 June 2010 primarily due to salaries and staff related expenses grew by approximately RMB2.7 million or 148.9% from approximately RMB1.8 million in the six (6)-month FPE 30 June 2009 to approximately RMB4.5 million in the six (6)-month FPE 30 June 2010 as a result of staff bonus of RMB2.7 million paid in the six (6)-month FPE 30 June 2010. Besides, increase in depreciation charge of approximately RMB0.9 million with the addition of property, plant and equipment.

Other operating expenses

Other operating expenses include the listing expenses in respect of our IPO.

Finance income and other income

There were generally no significant fluctuations in interest income between the six (6)-month FPE 30 June 2009 and 2010.

Finance costs

Finance cost increased by approximately RMB2.9 million or 2,086.3% from RMB0.1 million in the six (6)-month FPE 30 June 2009 to approximately RMB3.0 million in the six (6)-month FPE 30 June 2010, mainly due to accretion of interest of approximately RMB3.0 million pertaining to our SGD5.5 million unsecured convertible promissory notes issued to our Pre-IPO Investors pursuant to our IPO.

PBT and PBT margin

Our PBT increased by approximately RMB19.1 million or 25.5% from approximately RMB75.0 million in the six (6)-month FPE 30 June 2009 to approximately RMB94.1 million in the six (6)-month FPE 30 June 2010. The increase in PBT was in tandem with the increased revenue and gross profits, which was partly offset by the overall increase in our operating expenses. As a result, our PBT margin decreased from 42.3% in the six (6)-month FPE 30 June 2009 to 41.1% in the six (6)-month FPE 30 June 2010.

Taxation

Increase in taxation in the six (6)-month FPE 30 June 2010 was in line with increase in taxable profit. Listing expenses were not deductible for tax purpose.

FYE December 2009 vs FYE 31 December 2008

Revenue

Our revenue grew by approximately RMB74.0 million or 24.5% from approximately RMB301.5 million in the FYE 31 December 2008 to approximately RMB375.5 million in the FYE 31 December 2009. The increase in revenue contributed by our red wine products was approximately RMB62.6 million or 23.1% from approximately RMB271.0 million in the FYE 31 December 2008 to approximately RMB333.6 million in the FYE 31 December 2009 while there was an increase of approximately RMB11.4 million or 37.4% in revenue from our white wine products from approximately RMB30.5 million in FYE 31 December 2008 to approximately RMB41.9 million in the FYE 31 December 2009.

Revenue growth was mainly attributable to higher sales volume achieved for both red and white wine products under our flagship Fazenda Ohua Wine labels in FYE 31 December 2009 as compared to FYE 31 December 2008. We expanded our distribution networks and intensified our branding strategies and market penetration in our existing markets in the PRC, mainly Fujian,. Shandong, Guangdong, Zhejiang and Shanghai. During the last quarter of FYE 31 December 2008, we introduced the concept of Fazenda Ohua specialty stores as our main marketing strategy in the expansion of our distribution network. We successfully increased the number of specialty stores from 7 as at 31 December 2008 to 53 as at 31 December 2009. Coupled with the increased media advertisement such as television and newspapers in our targeted markets, the Fazenda Ohua specialty store concept has successfully worked as a platform to increase branding awareness of our wine products and labels among consumers and thus the increase in sales volume. Apart from that, we also collaborated with our distributors within a specific province/ region under an appointed master distributor. This has facilitated us to achieve better and more focused management of our wide distribution network across the PRC which in turn contributed to the increase in sales.

The increase in our sales volumes by products in the FYE 31 December 2009 as compared to the FYE 31 December 2008 are as follows:-

i. Our total sales volumes for our red wine products increased by approximately 1.4 million bottles or 18.7% from approximately 7.5 million bottles in the FYE 31 December 2008 to approximately 8.9 million bottles in the FYE 31 December 2009, mainly contributed by our flagship Fazenda Ohua Wine labels; and

ii. Our total sales volumes for our white wine products increased by approximately 0.4 million bottles or 38.0% from approximately 1.0 million bottles in the FYE 31 December 2008 to approximately 1.4 million bottles in the FYE 31 December 2009, mainly contributed by our flagship Fazenda Ohua Wine labels.

The effects of the above increase in sales volumes on our revenue were further fuelled by the increase in the average selling price of our red wine products. The overall average selling price for our red wine products increased by approximately RMB1.6 or 4.5% per bottle from approximately RMB35.9 per bottle in the FYE 31 December 2008 to RMB37.5 per bottle in the FYE 31 December 2009. The increase in average selling price was mainly due to increase in sales of premium product range.

Cost of sales and gross profit margin

In line with the increase in our total revenue from the FYE 31 December 2008 to the FYE 31 December 2009, our total cost of sales increased by approximately RMB33.0 million or 24.4% from approximately RMB135.0 million in the FYE 31 December 2008 to approximately RMB168.0 million in the FYE 31 December 2009. Our overall gross profit margin was relatively constant for both the FYE 31 December 2009 and FYE 31 December 2008, with slight increase of 0.1% from 55.2% to 55.3%.

Marketing and distribution expenses

Our marketing and distribution expenses increased by approximately RMB12.2 million or 55.3% from approximately RMB21.9 million in the FYE 31 December 2008 to approximately RMB34.1 million in the FYE 31 December 2009. The increase in marketing and distribution expenses was mainly attributable to an increase in advertising and promotion expenses of approximately RMB10.4 million or 101.0% from approximately RMB10.3 million in the FYE 31 December 2008 to approximately RMB20.7 million in the FYE 31 December 2009, which was due to the increase in media and advertising activities and also sales incentives given to distributors and retailers. Besides, our sales commission to our sales and marketing personnel increased by approximately RMB0.5 million or 9.8% from approximately RMB5.1 million in the FYE 31 December 2008 to approximately RMB5.6 million in the FYE 31 December 2009 for higher sales achieved.

Administrative expenses

Administrative expenses increased by approximately RMB3.9 million or 40.6% from approximately RMB9.6 million in the FYE 31 December 2008 to approximately RMB13.5 million in the FYE 31 December 2009 primarily due to increase in amortisation of renovations of approximately RMB1.0 million in the FYE 31 December 2009 and increase in depreciation of property, plant and equipment by approximately RMB0.6 million as well as a depreciation of biological assets of approximately RMB1.4 million during FYE 31 December 2009. Besides, salaries and staff related expenses grew by approximately RMB0.7 million or 23.3% from approximately RMB3.0 million in the FYE 31 December 2008 to approximately RMB3.7 million in the FYE 31 December 2009 as a result of increased recruitment of administrative staff to meet the needs of our increased business activities.

Other operating expenses

Other operating expenses were in relation to listing expenses in respect of our IPO.

Finance income and other income

There were generally no significant fluctuations in interest income between the FYE 31 December 2008 and the FYE 31 December 2009. Other income increased substantially by approximately RMB6.1 million or 1,220.0% from approximately RMB0.5 million for the FYE 31 December 2008 to approximately RMB6.6 million for the FYE 31 December 2009, mainly attributable to deemed income from our first grape harvest in September 2009 of approximately RMB4.4 million as well as fair value gain on derivative financial instruments of approximately RMB2.2 million.

Finance costs

Finance cost increased by approximately RMB2.4 million or 3,642.6% from approximately RMB0.1 million for the FYE 31 December 2008 to approximately RMB2.5 million for the FYE 31 December 2009, mainly due to the accretion of interest of approximately RMB2.4 million arised from our unsecured convertible promissory notes of SGD5.5 million issued to our Pre-IPO Investors pursuant to our IPO. Finance costs also included interest charges of approximately RMB0.2 million on short-term bank borrowings with principal amount of RMB5.0 million which was drawn down by end of FYE 31 December 2008 to meet increased working capital needs. The loan was fully repaid in FYE 31 December 2009.

PBT and PBT margin

Our PBT increased by approximately RMB23.5 million or 17.4% from approximately RMB135.1 million in FYE 31 December 2008 to approximately RMB158.6 million in the FYE 31 December 2009. The increase in PBT was in tandem with the increased revenue and gross profits, which was partly offset by overall increase in our operating expenses mainly our IPO-related expenses recognised of approximately RMB5.6 million. As a result, our PBT margin decreased from 44.8% in the FYE 31 December 2008 to 42.2% in the FYE 31 December 2009.

Taxation

Increase in taxation in the FYE 31 December 2009 was in line with increase in taxable profit. Listing expenses were not deductible for tax purpose.

FYE 31 December 2008 vs FYE 31 December 2007

Revenue

Our revenue increased by approximately RMB122.8 million or 68.7% from approximately RMB178.7 million in FYE 31 December 2007 to approximately RMB301.5 million in FYE 31 December 2008. Revenue contribution from our red wine products increased by approximately RMB117.3 million or 76.3% from approximately RMB153.7 million in FYE 31 December 2007 to approximately RMB271.0 million in FYE 31 December 2008 while for our white wine products, revenue increased by approximately RMB5.5 million or 22.0% from approximately RMB25.0 million in FYE 31 December 2007 to approximately RMB30.5 million in FYE 31 December 2008.

The overall revenue growth was mainly due the successful introduction of our International Wine labels into our existing product range in response to the increased consumer demand for imported wines as well as the development of new wine products under our flagship Fazenda Ohua Wine labels, of which the average selling price was higher than those of our existing product range. The increase was also driven by our expansion of geographical coverage. We increased our market penetration in the PRC as we significantly expanded our distribution network, particularly in provinces and cities such as Fujian, Zhejiang, Sichuan, Shanghai, Beijing and Guangdong. In addition, Fazenda Ohua specialty stores concept was introduced in our targeted regions to increase brand awareness of our flagship Fazenda Ohua Wine labels and wine products.

The increase in our overall sales volumes also contributed to the increase in revenue. Sales volumes of our red wine products grew by approximately 2.0 million bottles or 36.4% from approximately 5.5 million bottles in FYE 31 December 2007 to approximately 7.5 million bottles in FYE 31 December 2008. This was partially offset by the marginal decrease in sales volumes of our white wine products by approximately 0.1 million bottles or 9.1% from approximately 1.1 million bottles in FYE 31 December 2007 to approximately 1.0 million bottles in FYE 31 December 2008. Our red and white wines under our newly introduced International Wine labels have received well response from the consumers and have contributed largely to the increase in sales volumes.

The effects of the above increase in sales volumes on our revenue was further fuelled by the increased average selling price of both products. The overall average selling price for red wine products increased by approximately RMB8.1 or 29.1% per bottle from average RMB27.8 per bottle in FYE 31 December 2007 to average RMB35.9 per bottle in FYE 31 December 2008. On the other hand, the average selling price for white wine products increased by approximately RMB7.5 or 33.6% per bottle from approximately RMB22.3 per bottle in FYE 31 December 2007 to approximately RMB29.8 per bottle in FYE 31 December 2008. The overall higher average selling price for both our products was mainly due to the introduction of International Wine labels during the financial year which had higher average selling prices than our flagship Fazenda Ohua Wine labels and also the higher average selling price of our new wines under our flagship Fazenda Ohua Wine labels.

Cost of sales and gross profit margin

In line with the 68.7% increase in our revenue from FYE 31 December 2007 to FYE 31 December 2008, our cost of sales increased by approximately RMB51.8 million or 62.3% from approximately RMB83.2 million in FYE 31 December 2007 to approximately RMB135.0 million in FYE 31 December 2008. The increase in cost of sales for each product was generally in line with the respective increase in revenue and sales volume.

In terms of gross profit margins, our overall gross profit margin improved marginally from 53.5% in FYE 31 December 2007 to 55.2% in FYE 31 December 2008. This was mainly attributed to the following:-

i. A marginal increase in gross profit margin of our red wine products, from 54.0% in FYE 31 December 2007 to 54.3% in FYE 31 December 2008; and

ii. An increase in gross profit margin of our white wine products, from 50.4% in FYE 31 December 2007 to 63.4% in FYE 31 December 2008.

The improvement in gross profit margin of our red wine products was mainly attributable to the increase of approximately RMB8.1 or 29.1% per bottle in overall average selling price of our red wine products, partly offset by the increase in average cost of sale by approximately RMB3.6 or 28.1% per bottle from approximately RMB12.8 per bottle in FYE 31 December 2007 to approximately RMB16.4 per bottle in FYE 31 December 2008. The increase in average selling price and average cost of sale per bottle can be mainly attributed to the higher selling price and higher materials cost for our newly introduced International Wine labels and our new flagship Fazenda Ohua Wine labels products. The increase in packaging costs also contributed to the increase in average cost of sale per bottle.

The improvement in gross profit margin of our white wine products was mainly due to the increase in average selling price of approximately RMB7.5 or 33.6% per bottle from approximately RMB22.3 per bottle in FYE 31 December 2007 to approximately RMB29.8 per bottle in FYE 31 December 2008 coupled with a slight decrease in average cost of sales of approximately RMB0.2 or 1.5% per bottle.

Marketing and distribution expenses

Our marketing and distribution expenses increased by approximately RMB7.9 million or 56.4% from approximately RMB14.0 million in FYE 31 December 2007 to approximately RMB21.9 million in FYE 31 December 2008. The increase in marketing and distribution expenses was directly attributable to an increase in advertising and promotion expenses of approximately RMB4.3 million or 71.7% from approximately RMB6.0 million in FYE 31 December 2007 to approximately RMB10.3 million in FYE 31 December 2008, which was attributable to the increase in sales incentives given to distributors and retailers, which also led to higher sales volumes in FYE 31 December 2008.

In addition, our freight charges increased by approximately RMB2.4 million or 75.0% from approximately RMB3.2 million in FYE 31 December 2007 to RMB5.6 million in the FYE 31 December 2008, which was consistent with increase in revenue. Besides, our sales commission to our sales and marketing personnel increased by approximately RMB0.8 million or 18.6% from approximately RMB4.3 million in FYE 31 December 2007 to approximately RMB5.1 million in FYE 31 December 2008, as a result of higher sales target achieved during the financial year.

Administrative expenses

Administrative expenses increased by approximately RMB1.7 million or 21.5% from approximately RMB7.9 million in FYE 31 December 2007 to approximately RMB9.6 million in FYE 31 December 2008. The increase was mainly due to the increase in salaries and staff related expenses by approximately RMB0.6 million or 25.0% from approximately RMB2.4 million in FYE 31 December 2007 to approximately RMB3.0 million in FYE 31 December 2008 as a result of our recruitment of new administrative staff to meet the needs of our increased business activities. Besides, there was also an increase in depreciation charge of approximately RMB0.4 million.

Other operating expenses

Other operating expenses were related to costs of oak storage tanks sold.

Finance income and other income

Our finance and other income mainly related to the proceeds from the sales of the oak storage tanks.

Finance costs

Our finance expenses were pertaining to interest charges on drawn down bank borrowings in FYE 31 December 2008 of RMB5.0 million to meet increased working capital needs arising from increased business activities.

PBT and PBT margin

Our PBT increased by approximately RMB62.4 million or 85.8% from approximately RMB72.7 million in FYE 31 December 2007 to approximately RMB135.1 million in FYE 31 December 2008, in tandem with the increase in revenue and gross profit, which was partly offset by corresponding increase in distribution expenses. As a result, our PBT margin increased from approximately 40.7% in FYE 31 December 2007 to 44.8% in FYE 31 December 2008.

Taxation

For the FYE 31 December 2008, we were no longer exempted from tax but instead subjected to reduced tax rate of 12.5%.

11.3.5 Factors affecting financial condition and result

The main factors that may affect our profits from time-to-time include but are not limited to the following:-

i. **Demand and supply condition**

Our revenue and profit is dependent on the demand and supply condition as set out in Section 7.9 of this Prospectus.

ii. **Fluctuations in price of materials**

The fluctuation in the material costs such as grapes and wine materials which are affected by, *inter alia*, market demand and supply condition, has an impact on our profitability. We endeavor to source raw materials at the lowest cost possible and establish long term relationship with reliable suppliers that can provide consistent supply of raw materials at reasonable pricing. A significant portion of costs increases could also be imputed in selling prices to avoid reductions in our profit margin.

iii. Tax consideration

The tax provision has been adequately provided in the financial years and periods under review. The tax submission has been made up to the year of assessment 2009 and to date there has been no material dispute matters with the Tax Authority.

We were exempted from EIT and local income tax for the first two (2) profit-making years of operations and enjoyed a 50% relief from the EIT rate for the subsequent three (3) years.

11.3.6 Exceptional and Extraordinary Items

There were no exceptional and extraordinary items for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

11.3.7 Material Changes in Sales/ Revenue

A discussion on the reasons on material changes in our revenue for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009 are set out in Section 11.3.4 of this Prospectus.

11.3.8 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices on Operating Profits

We have business transactions in foreign currencies in the normal course of our business, which include purchases of materials and supplies. Fluctuations in the price of materials and supplies can be passed onto our customers, thus ensuring that we are not materially affected by fluctuation in commodity prices.

There is no material impact of foreign exchange, interest rates and commodity prices on our profits for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

11.3.9 Impact of Inflation

There was no material impact of inflation on our financial performance for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

11.3.10 Government/ Economic/ Fiscal or Monetary Policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, is as set out in Section 4.4.10 of this Prospectus.

There is no government, economic, fiscal or monetary policies or factors that have materially impacted our profits for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009.

11.3.11 Seasonality

Our sales revenue is subject to seasonal consumption cycles. Sales revenue during the winter months from November to February and during major holidays and festive seasons in the PRC such as the Chinese Lunar New Year contributed to approximately 50.0% of our Group's annual revenue. Customers tend to purchase wine products as gifts or for festive celebration purposes during such period.

11.4 Liquidity of Capital Resources

11.4.1 Working Capital

Our Group has been financing our operations through cash generated from our operations and external sources of funds. Our Group's external source of funds mainly comprises shareholders' equity and bank borrowings.

The principal usage of these funds are for working capital requirements such as payment of inventories and trade payables, financing of trade receivables balances and operating expenses as well as for our capital expenditure and repayment of advances.

Our Directors are of the opinion that, after taking into consideration the cash flows position, banking facilities available, and the net proceeds from the Public Issue, our Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

11.4.2 Proforma Consolidated Cash Flow

A summary of our Group's proforma consolidated statement of cash flows for the FPE 30 June 2010 based on the proforma consolidated financial information as disclosed in Section 13 of this Prospectus is set out below:-

Cash Flow	FPE 30 June 2010	
	RMB'000	RM'000
Net cash flows generated from operating activities	65,687	32,030
Net cash flows used in investing activities	(28,671)	(13,728)
Net cash flows generated from financing activities	144,994	69,191
Net increase in cash and cash equivalents	182,010	87,493
Exchange differences	-	(1,764)
Cash and cash equivalents at beginning of the period	45,567	22,870
Cash and cash equivalents at end of the period	227,577	108,599

There are no legal or economic restrictions on the ability of our subsidiary to transfer funds to our Company in the form of cash dividends.

Net cash flows generated from operating activities

For the FPE 30 June 2010, we recorded a net cash inflow from operating activities of approximately RMB65.7 million, which comprised operating cash flows before movements in working capital of approximately RMB96.0 million, mainly adjusted for net working capital used of approximately RMB14.7 million and income tax paid of approximately RMB15.7 million. The net working capital outflows were mainly the result of increase in trade and other receivables of approximately RMB18.8 million, increase in inventories of approximately RMB30.4 million, offset by increase in trade and other payables of approximately RMB19.0 million as well as increase in other liabilities of approximately RMB14.2 million which was mainly related to our IPO related expenses.

The significant increase in trade and other receivables were resulted from longer credit periods granted to our master distributors. The increase in inventories was due to higher stocks of unprocessed and processed wine materials for production. The increase in trade and other payables was mainly due to increase in amounts due to corporate shareholders of approximately RMB18.1 million.

Net cash flows used in investing activities

For the FPE 30 June 2010, we recorded a net cash outflow used for investing activities of approximately RMB28.7 million, which was mainly due to additions to property, plant and equipment and biological assets.

Net cash flows generated from financing activities

Net cash from financing activities mainly related to proceeds raised from our IPO of approximately RMB166.7 million. This was offset by listing expenses paid of approximately RMB21.7 million during the FPE 30 June 2010.

11.4.3 Borrowings

As at 30 June 2010, we do not have any outstanding bank borrowings.

Our Group has not defaulted on payments of either interest and/ or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof up to 30 June 2010.

11.4.4 Breach of Terms and Conditions/ Covenants Associated with Credit Arrangement/ Bank Loan

To the best knowledge of our Directors, as at the LPD, our Group is not in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

11.4.5 Type of Financial Instruments Used For Hedging

As at the LPD, we do not have any nor are we using any financial instrument for hedging purposes.

11.4.6 Treasury Policies and Objectives

We have been financing our operations through cash generated from our operations, share capital, retained profits, credit from our suppliers and external sources of funds. Our external source of funds mainly comprises shareholders' funds and bank borrowings.

The principal uses of these resources are for the purchase of materials and defray operating expenses as well as other expenses such as repair and maintenance and upkeep of equipment. Our funds were also used to finance capital expenditure and extending trade credit to our customers, if any.

All our sales and purchases are denominated in RMB, and as such, the foreign exchange exposure of our Group is minimal. Accordingly, we do not have any hedging policies nor have we entered into any forward contracts with respect to our foreign exchange exposure.

11.4.7 Material Commitment

As at the LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group.

11.4.8 Material Litigation

As at the LPD, our Group has not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on our Group's financial position. Our Directors have no knowledge of any proceedings pending or threatened against our Group or any fact likely to give rise to any proceeding which might materially and adversely affect our financial position and business.

11.4.9 Contingent Liabilities

As at the LPD, our Directors are not aware of any contingent liabilities which, upon becoming enforceable might materially and adversely affect our financial position and business.

11.4.10 Key Financial Ratio

The table below sets out the key financial ratios of our Group for the six (6)-month FPE 30 June 2010 and the past three (3) FYE 31 December 2009 which have been prepared for illustrative purposes only based on our audited financial statements and on the assumption that the current structure of our Group has been in existence throughout the financial years and period under review:-

	Six (6)-month FPE 30 June 2010	<-----FYE 31 December----> 2009	2008	2007
Trade receivables turnover period (days)	63	53	24	2
Trade payables turnover period (days)	16	13	12	6
Inventories turnover period (days)	152	98	76	122

Trade receivables turnover

Our appointed master distributors and some of our retailers, of whom our Group has a long term trading relationship with and who have good payment history, are given, in general, credit terms between 30 to 90 days. Others are required to pay cash on delivery. Credit terms granted may differ among customers after taking into account, *inter alia*, the quantity of the customer order, background, creditworthiness, level of risk involved, payment history of and length of relationship we have with each of the customers.

For the financial years and periods under review, we did not experience any significant allowance for impairment of trade receivables or bad debts written off.

The increase in trade receivables days for the FPE 30 June 2010 and the FYE December 2009 was as a result of our collaborations with appointed master distributors with stronger financial background and better collection history but require longer credit terms or higher credit limits to be granted to them. In the FYE 31 December 2007, sales to most of our customers were made in cash term on delivery as we typically did not have credit terms policy. Goods were delivered to our customers upon receipt of payment.

The trade receivables ageing analysis of our Group as at 30 June 2010 are set out below:-

In RMB

Credit period	Within credit period 0 – 30 days RMB'000	31 – 60 days RMB'000	Exceeding credit period 61 – 90 days RMB'000	Over 90 days RMB'000	Total RMB'000
Trade receivables	31,235	26,623	27,654	17,696	103,208
% of total trade receivables	30.3%	25.8%	26.8%	17.1%	100.0%

11. FINANCIAL INFORMATION (CONT'D)

In RM

Credit period	Within credit period 0 – 30 days RM'000	31 – 60 days RM'000	Exceeding credit period 61 – 90 days RM'000	Over 90 days RM'000	Total RM'000
Trade receivables	14,905	12,704	13,196	8,445	49,250
% of total trade receivables	30.3%	25.8%	26.8%	17.1%	100.0%

As at the LPD, 84.4% or RMB87.1 million (equivalent to approximately RM40.3 million) of the total trade receivables for the FPE 30 June 2010 has been subsequently collected.

Trade payables turnover

Normal credit terms granted to us by our trade suppliers range from 0 day to 60 days.

For the FPE 30 June 2010 and the past three (3) FYE 31 December 2009, there was minimal fluctuation in our trade payable turnover, showing marginal increase for the financial periods under review.

The trade payable ageing analysis of our Group as at 30 June 2010 are set out below:-

In RMB

Credit Period	Within credit period 0 – 30 days RMB'000	31 – 60 days RMB'000	Exceeding credit period Over 60 days RMB'000	Total RMB'000
Trade payables	8,745	1,000	-	9,745
% of total trade payable	89.7%	10.3%	-	100.0%

In RM

Credit Period	Within credit period 0 – 30 days RM'000	31 – 60 days RM'000	Exceeding credit period Over 60 days RM'000	Total RM'000
Trade payables	4,173	477	-	4,650
% of total trade payable	89.7%	10.3%	-	100.0%

As at the LPD, we are not aware of any actions, legal or otherwise, that have been taken against us by our trade suppliers for the recovery of debts due to them or due to any defaults in payment.

Inventories turnover

Our inventory comprises materials, work-in-progress and finished goods. Our inventory management is intertwined with our production and procurement processes, which are driven by our market assessment and sales plans.

We generally do not allow any sales returns by our customers unless due to product quality matters. For the financial period under review, we did not experience any material sales returns by our customers arising from product quality matters.

We usually maintain higher stock level of work-in-progress. This is mainly because unprocessed wine materials, the principal material of the production, required a longer processing period coupled with seasonality which has a significant impact on the sale of the products.

The adequacy of our inventory is reviewed by our management on a monthly basis. Our policy on obsolete or damaged inventory is to write off such inventory when our management considers the obsolete or damaged inventory to have no residual value. In addition, specific provisions are made on the diminution in market value of the inventory should our management decide that the current level of provision is inadequate.

For the financial years and periods under review, we have not made any provision for nor written off any inventory for damage or obsolescence, as we have not experienced any significant damage or loss in respect of our inventory.

At as 30 June 2010, our inventories amounted to approximately RMB75.2 million, or 27.1% of current assets.

Inventory turnover in FYE 31 December 2008 decreased substantially by 46 days was mainly due to unexpected increase in sales in FYE 31 December 2008. The Company had increased the materials storage to cope with the anticipated higher production level.

11.5 Trend Information

Based on our segmental analysis of revenue and profitability by our business activities, our overview of operations for the past three (3) FYE 31 December 2009 and the six (6)-month FPE 30 June 2010, our Board is of the opinion that:-

i. Higher consumer demand and consumption of our wine products in the PRC market as a result of our continuous marketing and branding efforts to expand our distribution network as well as create brand awareness for our flagship Fazenda Ohua Wine labels and International Wine labels. Also, the wine industry in the PRC represents a high growth industry and there is huge potential for growth as income levels rise and consumer preferences become more sophisticated in the PRC. In addition, our Directors believe that as we maintain a stringent quality control and management system on our wine production to ensure our wine products are of high and premium quality, there will be greater demand for our wine products.