ii. Generally, our material cost comprised mainly of material costs such as grapes and wine materials. Besides our self-grown grapes from our vineyards, we also sourced grapes as well as wine materials from other local and international suppliers for our wine production. The price of such materials has generally fluctuated within certain price ranges due to changes in market demand and supply conditions. Barring any unforeseen circumstances, our Directors expect such trends to continue going forward.

iii. Labour costs have generally been on the upward increase due to a tightening labour market in the PRC. Our Directors observe that the trend of increasing labour costs will generally continue in tandem with the improving PRC economy going forward.

iv. In general, our customers do not place long-term orders with us. As at the LPD, we have confirmed orders on-hand amounting to approximately RMB 11.6 million. Most of these orders are scheduled for delivery within 10 days. These orders are however subject to cancellation, deferral or rescheduling by our customers. Accordingly, our order book as at any particular date may not be indicative of our revenue for any succeeding period.

In addition to the above and barring any unforeseen circumstances, our Board is not aware of any circumstances which would result in a significant decline in our revenue and gross profit margins.

Further, save as disclosed above, to the best knowledge and belief of our Directors, our operations has not been and are not expected to be affected by any of the following:-

i. Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and in Sections 4 and 6 of this Prospectus;

ii. Material commitment for capital expenditure as disclosed in Section 11.4.7 of this Prospectus;

iii. Unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed in this section and in Section 4 of this Prospectus;

iv. Known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/ or profits save for those that have been disclosed in this section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 6.25 of this Prospectus;

v. Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 4 of this Prospectus; and

vi. Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those discussed in this section and in Section 4 of this Prospectus.

Information on our Group's business and financial prospects, significant trends in sales, production and costs are set out in this section and Section 4, Section 5, Section 6 and Section 14 of this Prospectus. Discussion on the overview of the wine industry, prospects and outlook are further elaborated in Section 7 of this Prospectus.

Given the favourable outlook of the wine Industry as set out in Section 7 of this Prospectus, our Group's competitive strengths and advantages as set out in Section 6.2 of this Prospectus and our future plans as set out in Section 6.25 of this Prospectus, our Board is optimistic about the future prospects of our Group.

11.6 Dividend Policy

PRC laws require that dividends be paid out of net profits calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions. PRC laws also require sino-foreign joint venture enterprises incorporated in PRC to set aside part of their net profit as reserve at the discretion of the board of directors while wholly foreign owned enterprises are required to set aside at least 10% of net profit each year to fund the designated statutory reserve until such reserve fund reaches 50% of the registered capital. In this respect, as Ouhua PRC is a sino-foreign joint venture enterprise, there is currently no statutory requirement to set aside certain percentage of net profit as statutory reserve, other than amount determined by the director. Should Ouhua PRC become a wholly foreign owned enterprise upon acquisition by us of the remaining 5% equity interest held by YO Winery, it will be subject to the minimum 10% requirement as mentioned thereof. The statutory reserve is not available for distribution as dividend. Therefore, until Ouhua PRC becomes a wholly foreign owned enterprise, the statutory reserve will not affect the ability of Ouhua PRC to make contribution to us and will not impact its ability to distribute dividends. Please refer to Section 4.2.6 of the Prospectus for disclosure made in relation to the above.

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.

11. FINANCIAL INFORMATION (CONT'D)

The declaration of interim dividends and the recommendation of final dividend are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval. It is our intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, availability of tax credits, general financial conditions and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cashflow of our Group, and may be waived if the payment of the dividends would adversely affect the cashflow and operations of our Group.

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Accountants' report
(Prepared for inclusion in the Prospectus to be dated 15 October 2010)

The Board of Directors
China Ouhua Winery Holdings Limited
1 Robinson Road
#17-00, AIA Tower
Singapore 048542

30 September 2010

Dear Sirs

CHINA OUHUA WINERY HOLDINGS LIMITED

1. PURPOSE OF REPORT

This report has been prepared by Ernst & Young, for inclusion in the prospectus in connection with the listing of China Ouhua Winery Holdings Limited ("Ouhua" or "the Company") on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Note 2.3 of this report.

2. DETAILS OF THE LISTING SCHEME

2.1 THE COMPANY

Ouhua was incorporated in Singapore under the Singapore Companies Act as a private company limited by shares on 12 January 2009 under the name of China Ouhua Winery Holdings Pte. Ltd. On 30 October 2009, Ouhua was registered in Malaysia as a foreign company. On 24 November 2009, the Company converted to a public limited company and changed its name to China Ouhua Winery Holdings Limited.

The Company has two registered offices, one located at 1 Robinson Road, #17-00, AIA Tower, Singapore 048542; while the other is at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. The Company's corporate office is located at 18th Floor C, UBN Tower, No. 10, Jalan P. Ramlee, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding and those of the subsidiary, Yantai Fazenda Ouhua Winery Co., Ltd ("Ouhua PRC") are as disclosed in Note 3.

2. DETAILS OF THE LISTING SCHEME (CONT'D.)

2.2 PRE-LISTING RESTRUCTING SCHEME

The group of Ouhua and its subsidiary company ("Ouhua Group" or the "Group") was formed through a Restructuring Scheme which involved a series of acquisitions and the rationalisation of shareholding structure of the Group.

The Restructuring Scheme involved the following:

(a) Incorporation of the Company

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 1 ordinary share in Ouhua ("Ouhua Share"). The issued and paid up capital was subsequently increased to SGD100 comprising 100 Ouhua Shares by the creation of an additional 99 Ouhua Shares, which were allotted and issued to its Promoter, Hua Xin International Holdings Limited.

(b) Acquisition of equity interest in Ouhua PRC

On 13 March 2009, Ouhua entered into an equity transfer agreement with The Group of Hualian Commercial Building (Spain) S.L. ("Hualian") to acquire 25% equity interest in Ouhua PRC held by Hualian ("Equity Transfer Agreement") for a purchase consideration of approximately RMB1,023,000 ("Acquisition Consideration").

Pursuant to a notice of assignment dated 18 November 2009, Hualian confirmed that on completion of the acquisition 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 Ouhua 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 Ouhua (the "Deed of Release and Discharge"), Mr Wang Chao confirmed that as at 27 September 2009, he had unconditionally discharged and released Ouhua 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.

(c) Additional capital injection into Ouhua PRC

Details of additional capital injection into Ouhua PRC are included in Note 3 of this report.

2. DETAILS OF THE LISTING SCHEME (CONT'D.)

2.2 PRE-LISTING RESTRUCTING SCHEME (CONT'D.)

(d) Issuance of unsecured convertible promissory notes

On 23 September 2009, Ouhua entered into a Note Purchase Agreement with OSK Technology Ventures Sdn Bhd, OSK Nominees (Tempatan) Sdn Bhd, Mr Yap Shing, Mr Yap Shong and Mr Chia Kee Siong (collectively the "Pre-IPO Investors"), to issue unsecured convertible promissory notes (the "Notes") amounting to a total of SGD5,500,000 to the Pre-IPO Investors. The Notes are convertible into ordinary shares of Ouhua at the discretion of the Pre-IPO Investors at any time prior to maturity of the Notes. The Notes are convertible into Ouhua Shares at a discount of 40% to the share price of Ouhua Shares at initial public offering. The Notes bear interest at 15% per annum in the event that they are not converted within 18 months from the date of issue or on the date of listing of Ouhua on Bursa Securities.

On 20 September 2010, the Notes were converted to 35,450,000 Ouhua Shares.

(e) Share Split

On 28 November 2009, Ouhua implemented a share split of 100 shares to 500,000,000 shares by sub-dividing each Ouhua share into 5,000,000 Ouhua shares.

2.3 LISTING SCHEME

Ouhua is seeking a listing on the Main Market of Bursa Securities and the details of the proposed initial public offering ("IPO") are as follows:

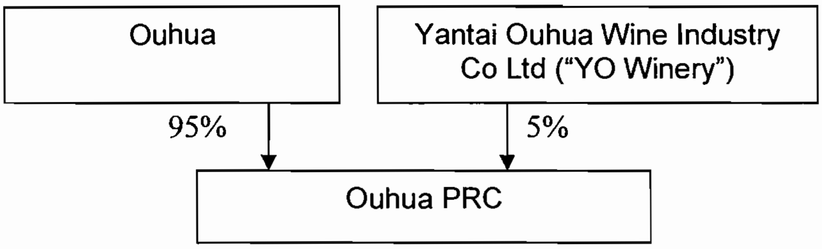
Public issue of 132,550,000 new Ouhua Shares at an issue price of RM 0.60 per share, payable in full upon application comprising:

1. 124,550,000 Ouhua Shares available for application by way of placement to identified investors; and

2. 8,000,000 Ouhua Shares for application by the Malaysian public.

3. GROUP STRUCTURE

The Group structure of Ouhua Group as at the date of this report is as follows:



Details of the subsidiary are as follows:-

Name of Company	Date of Incorporation	Country of Incorporation	Effective Equity Interest 2009	Principal Activities
Ouhua PRC [1] (Registered capital: USD9,000,000)	6 December 2002	People's Republic of China ("PRC")	95%	Production of varieties of wine and sales of its self produced wines

[1] Audited by Shandong Hua Bin Certified Public Accountant Co., Ltd for PRC statutory audit purpose and audited by Ernst & Young LLP, Singapore for the purpose of inclusion of financial statements in the documents in connection with the IPO.

Details of the acquisition of additional equity interest in Ouhua PRC by Ouhua are as follows:

16 March 2009	Ouhua entered into a capital increase agreement with YO Winery to invest an aggregate sum of USD8,400,000 in cash into Ouhua PRC for an additional 70% equity interest in Ouhua PRC. Subsequent to the acquisition of Ouhua PRC and capital injection, Ouhua will hold 95% equity interest in the registered capital of Ouhua PRC with YO Winery holding the remaining 5%.
10 May 2009	The Board of Directors of Ouhua PRC had vide a resolution approved to increase Ouhua PRC's registered capital by USD8,400,000 from USD600,000 to USD9,000,000. Ouhua being the identified investor is required to pay an upfront amount of a minimum 20% of the total additional capital and the balance of the 80% will be payable within 2 years.
27 September 2009	Ouhua increased its equity interest in Ouhua PRC to 80.76% for a cash contribution of approximately USD1,739,000.

3. GROUP STRUCTURE (CONT'D.)

5 October 2009	Ouhua increased its equity interest in Ouhua PRC to 89.55% for a cash contribution of approximately USD1,966,000.
27 November 2009	Ouhua entered into a call option agreement with YO Winery to acquire the remaining 5% equity interest held by YO Winery at a purchase consideration to be determined by an independent valuer, subject to terms and conditions of the option agreement. The call option is valid for a period of 2 years from the date of the listing of Ouhua on Bursa Securities. Upon exercise of the above call option, Ouhua PRC will become a wholly foreign owned enterprise (WFOE). In accordance with the relevant laws and regulations of the PRC, Ouhua PRC will be required to set aside at least 10% of its net profit each year to fund the designated statutory reserve funds until such reserve funds reach 50% of its registered capital. These statutory reserves are not available for distribution as cash dividend.
4 December 2009	The minority shareholder, YO Winery, provided a letter of undertaking that states that the risks and rewards of Ouhua in Ouhua PRC is 95%. In accordance with the capital increase agreement dated 16 March 2009 and pursuant to the Company Law of the PRC, Ouhua has up to 24 March 2011 to contribute the remaining USD4,700,000 to the registered capital of Ouhua PRC.
30 June 2010	Ouhua contributed in total approximately USD6,040,000 to the registered capital of Ouhua PRC. In accordance with the capital increase agreement and pursuant to the Company Law of PRC, Ouhua has up to 24 March 2011 to contribute the remaining USD2,360,000 to the registered capital of Ouhua PRC.
29 July 2010	Ouhua contributed USD2,360,000 to the registered capital of Ouhua PRC. Subsequent to the capital injection, Ouhua completed its capital commitment under the capital increase agreement dated 16 March 2009.

ERNST & YOUNG

4. FINANCIAL STATEMENTS AND AUDITORS

Ernst & Young LLP, Singapore audited the financial statements of Ouhua from the date of incorporation on 12 January 2009 to 30 June 2010 and Ouhua PRC for the financial period ended ("FPE") 30 June 2010 and financial years ended ("FYE") 31 December 2009, 2008 and 2007. The financial statements of Ouhua and Ouhua PRC were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The audit opinions issued for the above financial statements were unqualified. Ouhua acquired Ouhua PRC pursuant to the pre-listing restructuring scheme as described in Note 2. As the two entities are entities under common control the consolidated financial statements have been prepared using the pooling of interest method. The pooling of interest method is described in Note 6.6.3 of this report.

5. BASIS OF PREPARATION

The financial information of Ouhua Group as set out in the following sections are based on the audited financial statements for the relevant financial periods / years covered in this report.

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements of the respective companies.

The financial statements of Ouhua Group are presented in Renminbi ("RMB"). This report, is presented in both RMB and the Ringgit Malaysia ("RM") equivalent.

The translation of the financial statements of Ouhua from RMB to RM is based on the following exchange rates:

	FPE 30.6.2010	FPE 30.6.2009	FYE 31.12.2009	FYE 31.12.2008	FYE 31.12.2007
Statements of Comprehensive Income					
Based on average rates for the relevant periods/years	0.4896	0.5118	0.5052	0.4812	0.4516
Statements of Financial Position					
Based on closing rates at the respective reporting dates	0.4772	0.5151	0.5019	0.5084	0.4534

[Source: Bank Negara Malaysia's website]

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA

6.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUHUA

	Note	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	6.8	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)	(80,178)	(41,035)	(168,024)	(84,886)	(135,033)	(64,978)	(83,182)	(37,565)
Gross profit		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	6.9	128	63	76	39	123	62	209	101	181	82
Other income	6.10	162	79	-	-	6,621	3,345	519	250	-	-
Other items of expense											
Marketing and distribution		(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)	(5,792)	(2,964)	(13,484)	(6,812)	(9,630)	(4,634)	(7,852)	(3,546)
Interest expense	6.9	(3,039)	(1,488)	(139)	(71)	(2,545)	(1,286)	(68)	(33)	-	-
Other expenses		(2,970)	(1,454)	(2,254)	(1,155)	(5,564)	(2,810)	(459)	(221)	(1,244)	(562)
Profit before tax	6.11	94,141	46,092	75,033	38,402	158,594	80,122	135,138	65,029	72,673	32,820
Income tax (expense)/credit	6.14	(16,110)	(7,887)	(12,552)	(6,424)	(25,821)	(13,045)	(20,325)	(9,780)	1,242	561
Profit after tax		78,031	38,205	62,481	31,978	132,773	67,077	114,813	55,249	73,915	33,381
Other comprehensive loss:											
Foreign currency translation		(19)	(7,146)	(41)	1,076	(141)	(1,684)	-	7,891	-	196
Total comprehensive income for the period/year		78,012	31,059	62,440	33,054	132,632	65,393	114,813	63,140	73,915	33,577
Profit attributable to:											
Owner of the company		73,624	36,047	59,083	30,239	125,500	63,403	108,870	52,388	70,220	31,712
Non-controlling interest		4,407	2,158	3,398	1,739	7,273	3,674	5,943	2,861	3,695	1,669
		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		73,605	29,304	59,042	31,257	125,359	61,800	108,870	59,886	70,220	31,898
Non-controlling interest		4,407	1,755	3,398	1,797	7,273	3,593	5,943	3,254	3,695	1,679
		78,012	31,059	62,440	33,054	132,632	65,393	114,813	63,140	73,915	33,577
Earnings per share attributable to shareholders											
Basic (RMB cents/sen)	6.15	14.7	7.2	23.4	12.0	33.4	16.9	2,177.4	1,047.8	1,404.4	634.2
Diluted (RMB cents/sen)	6.15	14.3	7.0	23.4	12.0	33.2	16.8	2,177.4	1,047.8	1,404.4	634.2

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUHUA

	Note	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
ASSETS									
Non-current assets									
Property, plant and equipment	6.16	36,212	17,280	40,456	20,305	37,784	19,209	36,143	16,387
Biological assets	6.17	91,741	43,779	88,069	44,202	77,661	39,483	62,295	28,245
Prepayments	6.18	7,864	3,753	7,968	3,999	8,176	4,157	8,384	3,801
Deferred tax assets	6.20	6,010	2,868	4,899	2,459	3,402	1,730	2,198	997
		141,827	67,680	141,392	70,965	127,023	64,579	109,020	49,430
Current assets									
Inventories	6.21	75,219	35,895	44,788	22,479	24,730	12,573	19,031	8,629
Trade and other receivables	6.22	103,228	49,260	84,431	42,376	44,719	22,735	1,346	610
Advances to suppliers		-	-	-	-	382	194	-	-
Prepayments		1,968	939	1,373	689	-	-	-	-
Cash and cash equivalents	6.24	97,080	46,327	45,567	22,870	35,800	18,201	24,236	10,989
		277,495	132,421	176,159	88,414	105,631	53,703	44,613	20,228
TOTAL ASSETS		419,322	200,101	317,551	159,379	232,654	118,282	153,633	69,658
Current liabilities									
Income tax payable		4,306	2,055	7,015	3,521	6,202	3,153	-	-
Short term bank loans	6.27	-	-	-	-	5,000	2,542	-	-
Trade and other payables	6.25	40,235	19,200	21,230	10,655	14,212	7,225	48,231	21,868
Dividend payable		-	-	-	-	18,000	9,151	-	-
Convertible notes	6.28	17,865	8,525	14,818	7,437	-	-	-	-
Derivative financial instruments	6.28	10,341	4,935	10,496	5,268	-	-	-	-
Other liabilities	6.26	3,696	1,764	3,311	1,662	2,653	1,349	4,022	1,824
		76,443	36,479	56,870	28,543	46,067	23,420	52,253	23,692

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUHUA (CONT'D.)

	Note	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
NET CURRENT ASSETS/(LIABILITIES)		201,052	95,942	119,289	59,871	59,564	30,283	(7,640)	(3,464)
Non-current liability									
Deferred tax liabilities	6.20	15,143	7,226	10,957	5,499	4,047	1,948	-	-
TOTAL LIABILITIES		91,586	43,705	67,827	34,042	50,114	25,368	52,253	23,692
NET ASSETS		327,736	156,396	249,724	125,337	182,540	92,914	101,380	45,966
Equity attributable to the equity holder									
Share capital	6.29	-	-	-	-	-	-	-	-
Other reserves	6.30	22,036	10,071	19,920	9,035	21,164	9,618	21,164	9,618
Equity contribution	6.30	2,570	1,299	2,570	1,299	-	-	-	-
Foreign currency translation reserves	6.30	61	(805)	80	5,938	-	7,429	-	(69)
Retained profits		281,922	135,797	210,414	100,786	148,560	69,491	71,660	32,486
		306,589	146,362	232,984	117,058	169,724	86,538	92,824	42,035
Non-controlling interest		21,147	10,034	16,740	8,279	12,816	6,376	8,556	3,931
TOTAL EQUITY		327,736	156,396	249,724	125,337	182,540	92,914	101,380	45,966

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY IN OUHUA

	Share capital (Note 6.29)		Reserve funds (Note 6.30)		Merger reserve (Note 6.30)		Foreign currency translation reserves (Note 6.30)		Equity contributions (Note 6.30)		(Accumulated losses)/ Retained profit		Total		Non-controlling interests		Total equity	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
FYE 31 December 2007																		
At 1 January 2007	-	-	5,049	2,321	1,244	583	-	(255)	-	-	16,311	7,488	22,604	10,137	4,861	2,252	27,465	12,389
Profit for the year	-	-	-	-	-	-	-	-	-	-	70,220	31,712	70,220	31,712	3,695	1,669	73,915	33,381
Other comprehensive loss for the year	-	-	-	-	-	-	-	186	-	-	-	-	-	186	-	10	-	196
Total comprehensive income for the year	-	-	-	-	-	-	-	186	-	-	70,220	31,712	70,220	31,898	3,695	1,679	73,915	33,577
Appropriation to reserve funds	-	-	14,871	6,714	-	-	-	-	-	-	(14,871)	(6,714)	-	-	-	-	-	-
At 31 December 2007	-	-	19,920	9,035	1,244	583	-	(69)	-	-	71,660	32,486	92,824	42,035	8,556	3,931	101,380	45,966
FYE 31 December 2008																		
At 1 January 2008	-	-	19,920	9,035	1,244	583	-	(69)	-	-	71,660	32,486	92,824	42,035	8,556	3,931	101,380	45,966
Profit for the year	-	-	-	-	-	-	-	-	-	-	108,870	52,388	108,870	52,388	5,943	2,861	114,813	55,249
Other comprehensive loss for the year	-	-	-	-	-	-	-	7,498	-	-	-	-	-	7,498	-	393	-	7,891
Total comprehensive income for the year	-	-	-	-	-	-	-	7,498	-	-	108,870	52,388	108,870	59,886	5,943	3,254	114,813	63,140
Dividends declared	-	-	-	-	-	-	-	-	-	-	(31,970)	(15,383)	(31,970)	(15,383)	(1,683)	(809)	(33,653)	(16,192)
At 31 December 2008	-	-	19,920	9,035	1,244	583	-	7,429	-	-	148,560	69,491	169,724	86,538	12,816	6,376	182,540	92,914

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12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY IN OUHUA (CONT'D.)

	Share capital (Note 6.29)		Reserve funds (Note 6.30)		Merger reserve (Note 6.30)		Foreign currency translation reserves (Note 6.30)		Equity contributions (Note 6.30)		(Accumulated losses)/ Retained profit		Total		Non-controlling interests		Total equity	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
FYE 31 December 2009																		
At 1 January 2009	-	-	19,920	9,035	1,244	583	-	7,429	-	-	148,560	69,491	169,724	86,538	12,816	6,376	182,540	92,914
At 12 January 2009 (on incorporation of the Company) [Note (i)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	125,500	63,403	125,500	63,403	7,273	3,674	132,773	67,077
Other comprehensive loss for the year	-	-	-	-	-	-	(141)	(1,603)	-	-	-	-	(141)	(1,603)	-	(81)	(141)	(1,684)
Total comprehensive income for the year	-	-	-	-	-	-	(141)	(1,603)	-	-	125,500	63,403	125,359	61,800	7,273	3,593	132,632	65,393
Dividend declared	-	-	-	-	-	-	-	-	-	-	(63,646)	(32,108)	(63,646)	(32,108)	(3,349)	(1,690)	(66,995)	(33,798)
Put option written by a shareholder to convertible note holders	-	-	-	-	-	-	-	-	1,547	782	-	-	1,547	782	-	-	1,547	782
Purchase consideration of equity interest in subsidiary waived by a major shareholder	-	-	-	-	-	-	-	-	1,023	517	-	-	1,023	517	-	-	1,023	517
Adjustment arising from restructuring exercise	-	-	-	-	(1,244)	(583)	221	112	-	-	-	-	(1,023)	(471)	-		(1,023)	(471)
At 31 December 2009	-	-	19,920	9,035	-	-	80	5,938	2,570	1,299	210,414	100,786	232,984	117,058	16,740	8,279	249,724	125,337
FPE 30 June 2009 (unaudited)																		
At 1 January 2009	-	-	19,920	9,035	1,244	583	-	7,429	-	-	148,560	69,491	169,724	86,538	12,816	6,376	182,540	92,914
At 12 January 2009 (on incorporation of the Company) [Note (i)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	59,083	30,239	59,083	30,239	3,398	1,739	62,481	31,978
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	(41)	1,018	-	-	-	-	(41)	1,018	-	58	(41)	1,076
Total comprehensive income for the period	-	-	-	-	-	-	(41)	1,018	-	-	59,083	30,239	59,042	31,257	3,398	1,797	62,440	33,054
Dividend declared	-	-	-	-	-	-			-	-	(63,646)	(32,574)	(63,646)	(32,574)	(3,349)	(1,714)	(66,995)	(34,288)
Adjustment arising from restructuring exercise	-	-	-	-	(221)	(113)	221	113	-	-	-	-	-	-	-		-	-
At 30 June 2009	-	-	19,920	9,035	1,023	470	180	8,560	-	-	143,997	67,156	165,120	85,221	12,865	6,459	177,985	91,680

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY IN OUHUA (CONT'D.)

	Share capital (Note 6.29)		Reserve funds (Note 6.30)		Merger reserve (Note 6.30)		Foreign currency translation reserves (Note 6.30)		Equity contributions (Note 6.30)		(Accumulated losses)/ Retained profit		Total		Non-controlling interests		Total equity	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
FPE 30 June 2010																		
At 1 January 2010	-	-	19,920	9,035	-	-	80	5,938	2,570	1,299	210,414	100,786	232,984	117,058	16,740	8,279	249,724	125,337
Profit for the period	-	-	-	-	-	-	-	-	-	-	73,624	36,047	73,624	36,047	4,407	2,158	78,031	38,205
Other comprehensive loss for the period	-	-	-	-	-	-	(19)	(6,743)	-	-	-	-	(19)	(6,743)	-	(403)	(19)	(7,146)
Total comprehensive income for the period	-	-	-	-	-	-	(19)	(6,743)	-	-	73,624	36,047	73,605	29,304	4,407	1,755	78,012	31,059
Appropriation to reserve funds	-	-	2,116	1,036	-	-	-	-	-	-	(2,116)	(1,036)	-	-	-	-	-	-
At 30 June 2010	-	-	22,036	10,071	-	-	61	(805)	2,570	1,299	281,922	135,797	306,589	146,362	21,147	10,034	327,736	156,396

Note (i): The Company was incorporated with an initial paid-up capital of SGD1 (RMB4.74/RM2.28) which was subsequently increased to SGD100 (RMB474/RM228) via the issuance of shares for SGD99 (RMB469/RM226) in cash.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.4 CONSOLIDATED STATEMENTS OF CASH FLOWS OF OUHUA

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash flows from operating activities										
Profit before tax	94,141	46,092	75,033	38,402	158,594	80,122	135,138	65,029	72,673	32,820
Adjustments:										
Amortisation of long-term prepayments	104	51	104	53	208	105	208	100	208	94
Depreciation of property, plant and equipment	4,244	2,078	3,343	1,711	6,958	3,515	5,277	2,540	4,845	2,187
Depreciation of biological assets	-	-	-	-	1,417	716	-	-	-	-
Gain arising from initial recognition of harvested grapes	-	-	-	-	(4,450)	(2,249)	-	-	-	-
Interest expense	3,039	1,488	139	71	2,545	1,286	68	33	-	-
Interest income	(128)	(63)	(76)	(39)	(123)	(62)	(209)	(101)	(181)	(82)
Fair value gain on derivative financial instrument	(162)	(79)	-	-	(2,171)	(1,096)	-	-	-	-
Unrealised exchange loss	(4)	(2)	(41)	(21)	(141)	(71)	-	-	-	-
Write-off of property, plant and equipment	-	-	-	-	-	-	-	-	1,244	562
Operating cash flows before changes in working capital	101,234	49,565	78,502	40,177	162,837	82,266	140,482	67,601	78,789	35,581
(Increase)/decrease in:										
Inventories	(30,431)	(14,899)	(10,892)	(5,575)	(15,608)	(7,885)	(5,699)	(2,742)	5,423	2,449
Trade and other receivables	(18,797)	(9,203)	(21,425)	(10,965)	(39,712)	(20,063)	(43,373)	(20,871)	(110)	(49)
Prepayments	(595)	(291)	(561)	(287)	(1,373)	(694)	-	-	-	-
Advances to suppliers	-	-	382	196	382	193	(382)	(183)	-	-
Increase/(decrease) in:										
Trade and other payables	19,005	9,305	(1,121)	(574)	7,018	3,545	7,231	3,480	(9,153)	(4,133)
Other liabilities	385	188	(628)	(321)	658	332	(1,789)	(863)	1,970	891
Cash flows generated from operations	70,801	34,665	44,257	22,651	114,202	57,694	96,470	46,422	76,919	34,739
Interest income received	128	63	76	39	123	62	209	101	181	82
Interest expense paid	-	-	(139)	(71)	(191)	(96)	(68)	(33)	-	-
Income taxes paid	(15,744)	(7,708)	(12,551)	(6,424)	(19,595)	(9,899)	(11,280)	(5,428)	-	-
Net cash flows generated from operating activities	55,185	27,020	31,643	16,195	94,539	47,761	85,331	41,062	77,100	34,821

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.4 CONSOLIDATED STATEMENTS OF CASH FLOWS OF OUHUA (CONT'D)

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash flows used in investing activities										
Purchase of property, plant and equipment (Note A)	-	-	(3,510)	(1,796)	(9,630)	(4,865)	(6,498)	(3,127)	(8,512)	(3,844)
Purchase of/additions to biological assets	(3,672)	(1,798)	(5,582)	(2,857)	(11,825)	(5,974)	(15,366)	(7,393)	(34,275)	(15,479)
Net cash flows used in investing activities	(3,672)	(1,798)	(9,092)	(4,653)	(21,455)	(10,839)	(21,864)	(10,520)	(42,787)	(19,323)
Cash flows from financing activities										
(Repayment)/proceeds from short term bank loans	-	-	(2,000)	(1,024)	(5,000)	(2,526)	5,000	2,406	-	-
Dividends paid	-	-	(18,000)	(9,212)	(84,995)	(42,939)	(15,653)	(7,532)	-	-
Proceeds from issuance of convertible notes	-	-	-	-	26,678	13,478	-	-	-	-
(Repayment to)/advances from a director	-	-	-	-	-	-	(41,250)	(19,850)	(19,700)	(8,897)
Net cash flows (used in)/generated from financing activities	-	-	(20,000)	(10,236)	(63,317)	(31,987)	(51,903)	(24,976)	(19,700)	(8,897)
Net increase in cash and cash equivalents	51,513	25,222	2,551	1,306	9,767	4,935	11,564	5,566	14,613	6,601
Exchange differences	-	(1,765)	-	248	-	(266)	-	1,646	-	47
Cash and cash equivalents at beginning of financial period/year	45,567	22,870	35,800	18,201	35,800	18,201	24,236	10,989	9,623	4,341
Cash and cash equivalents at end of financial period/year	97,080	46,327	38,351	19,755	45,567	22,870	35,800	18,201	24,236	10,989

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.4 CONSOLIDATED STATEMENTS OF CASH FLOWS OF OUHUA (CONT'D)

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
A. Property, plant and equipment										
Current period/ year additions to property, plant and equipment	-	-	3,510	1,796	9,630	4,865	6,918	3,329	8,512	3,844
Less: Payable to creditors	-	-	-	-	-	-	(420)	(202)	-	-
Net cash outflow for purchase of property, plant and equipment	-	-	3,510	1,796	9,630	4,865	6,498	3,127	8,512	3,844

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.5 CORPORATE INFORMATION

Ouhua was incorporated as China Ouhua Winery Holdings Pte.Ltd, a private company limited by shares, in Singapore on 12 January 2009. On 30 October 2009, the Company was registered in Malaysia as a foreign company. The Company was subsequently converted into a public limited company on 24 November 2009 and changed its name to China Ouhua Winery Holdings Limited. The Company has two registered offices, one located at 1 Robinson Road, #17-00, AIA Tower, Singapore 048542; while the other is at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. The Company's corporate office is located at 18th Floor C, UBN Tower, No. 10, Jalan P. Ramlee, 50200 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activity of the subsidiary is that of production of varieties of wine and sale of its self-produced wine.

6.6 SIGNIFICANT ACCOUNTING POLICIES

6.6.1 BASIS OF PREPARATION

The consolidated financial statements of financial position, consolidated statement of changes in equity and cash flow have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

All values are rounded to the nearest thousand (RMB'000/ RM'000) except where otherwise stated.

The Company's functional currency is Singapore Dollar (SGD). The financial statements are presented in Renminbi (RMB), which is the functional currency of the operating subsidiary, Ouhua PRC. For the purpose of this report the RM equivalent of the balances are included in the financial statements.

6.6.2 CHANGES IN ACCOUNTING POLICIES

(a) Adoption of new and revised IFRS and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations.

On 1 January 2010, the Group adopted the new and revised IFRS and IFRIC Interpretations mandatory for annual periods beginning on or after 1 January 2010. The adoption of these new and revised IFRS and IFRIC Interpretations did not have an impact on the financial position and results of the Group.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(b) New IFRSs/Revised International Accounting Standards ("IASs")/IFRIC Interpretations not yet effective

The Company has not adopted the following IFRS, IAS and IFRIC that have been issued but are only effective for annual financial periods as stated below:

Reference		Description	Effective for annual periods beginning on or after
IFRS 1	:	Amendments to IFRS 1 – Additional Exemptions for First-time Adopters	1 July 2010
IFRS 9	:	Financial Instruments	1 January 2013
IAS 24	:	Related Party Disclosures (Revised)	1 January 2011
IAS 32	:	Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010
IFRIC 14 and IAS 19	:	The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except that the Group is currently assessing the possible impact of the adoption of IFRS 9 on its financial statements.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the entire financial periods and as at the statement of financial position date. The financial statements of the subsidiary are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The Company acquired the subsidiary pursuant to the Group Restructuring as described in Notes 2.2 and 3. As the two entities are entities under common control, the consolidated financial statements are prepared using the pooling of interest method.

Business combination involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The consolidated statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Consolidation of the subsidiary in the PRC is based on the subsidiary's financial statements prepared in accordance with IFRS. Profits reflected in the financial statements prepared in accordance with IFRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary are based on the amounts stated in the PRC statutory financial statements.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiary not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposal to non-controlling interests is recognized directly in equity.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.4 FOREIGN CURRENCY

The Group's consolidated financial statements are presented in Renminbi ("RMB"). The Company and its subsidiary have determined SGD and RMB to be their respective functional currency and items included in the financial statements of the Company and its subsidiary is measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its subsidiary at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.5 RELATED PARTY

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(a) directly, or indirectly through one or more intermediaries, the party:

i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
ii. has an interest in the entity that gives it significant influence over the entity; or
iii. has joint control over the entity;

(b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;

(c) the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.6 BIOLOGICAL ASSETS

(a) Vineyards

Biological assets consist of immature grape vines. The grape vines have an average life of 20 years. Prior to the vineyards having attained a sustainable yield of grapes from its harvest, they are deemed as immature. As market determined prices or values are not readily available for grape vines in its present condition and for which alternative estimates of fair value are determined to be clearly unreliable, the biological assets are stated at cost less accumulated depreciation and impairment.

Costs include all costs of purchase and other costs in bringing the vineyards to their present location and condition. They include purchase of seedlings and vineyard maintenance costs.

Once immature vines commence bearing crop which is harvested (but prior to having attained a sustainable yield or industry productivity), the cost of the biological assets is expensed on the basis of yield achieved as a proportion of anticipated yield of a mature vine.

Once the fair value of the vines becomes reliably measureable, the grape vines are measured at their fair value less estimated point-of-sale costs at point of harvest. Gains or losses arising on initial recognition of grape vines at fair value less estimated point-of-sale costs is dealt with in the statement of comprehensive income when it arises. Subsequent to initial recognition, changes in fair value are recognized in the statement of comprehensive income.

Grapes are initially measured at their fair values less estimated point-of-sale costs at the time of harvest. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. At the time of harvest, such measurement of the grapes is recorded as inventory and the gain on initial recognition of grapes is recognized in the statement of comprehensive income.

(b) Prepayments

Prepayments relate to crop compensation costs paid to previous lessees of the land on which the Group's vineyards reside. Prepayments are amortised in the statement of comprehensive income on a straight-line basis over the lease term of the vineyards, which ranges from 30 to 50 years.

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6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis to write off the cost of property, plant and equipment over the estimated useful life of the assets as follows:

	Years
Furniture and fixtures (at specialty stores)	5
Renovations	5-10
Plant and machinery	10
Office equipment	5
Motor vehicles	5
Vineyard land preparation costs & fixtures	10

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial period/year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the period/year the asset is derecognised.

6.6.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.8 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONT'D.)

Impairment losses are recognised in the statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of comprehensive income.

6.6.9 SUBSIDIARY

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

6.6.10 FINANCIAL ASSETS

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the statement of comprehensive income.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

6. FINANCIAL STATEMENTS OF OUHUA (CONTD.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

6.6.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances and unpledged bank deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the statements of financial position are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is as disclosed in Note 6.6.10.

6.6.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the statement of comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of comprehensive income.

6. FINANCIAL STATEMENTS OF OUHUA (CONTD.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

6.6.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials – purchase cost on a weighted average basis
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

6.6.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.15 FINANCIAL LIABILITIES

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in the fair value of derivatives are recognised in the statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

6.6.16 BORROWING COSTS

Borrowing costs are recognised in the statement of comprehensive income as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

6.6.17 CONVERTIBLE NOTES

The convertible notes are hybrid financial instruments with a host debt component and an embedded derivative component, which are required to be accounted for separately on inception of the convertible notes. On inception of the convertible notes, embedded derivative components are recognised at fair values. The initial carrying amount of the host debt component is the residual of the gross proceeds after separating the embedded derivatives. The host debt component is categorised and accounted for as "financial liability measured at amortised cost" while the embedded derivative component is categorised and accounted for as "financial liability at fair value through profit or loss". The Group's accounting policies for financial liabilities are stated in Note 6.6.15. Embedded derivative relating to issuance of put option written by a shareholder to convertible note holders is recognised as equity contribution in equity.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.18 OPERATING LEASES

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

6.6.19 EMPLOYEE BENEFITS

Defined contribution plans - pension benefits

The Group is required to provide certain staff pension benefits to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the Group's employees.

Pension contributions are recognised as an expense in the year in which the related services are performed.

6.6.20 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Interest income*

Interest income is recognised using the effective interest method.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.21 INCOME TAXES

(a) *Current tax*

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognized directly in equity is recognised in equity and not in the statement of comprehensive income.

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.21 INCOME TAXES (CONT'D.)

(b) *Deferred tax (cont'd.)*

The carrying amount of deferred income tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period/year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax relating to items recognised directly or indirectly in equity is recognised in equity and not in the statement of comprehensive income.

(c) *Value-added-tax ("VAT")*

The Group's sales of goods in the PRC are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net VAT receivable or payable is included in "Other receivables" or "Other payables". The Group's export sales are not subjected to VAT.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.6 SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

6.6.22 SHARE CAPITAL AND SHARE ISSUE EXPENSES

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to such capital contributions are deducted against share capital.

6.6.23 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on its products. The management of the Group regularly reviews the segment results in order to allocate resources to the segments and to assess the segment's performance. Additional disclosures on each of these segments are shown in Note 6.32, including the factors used to identify the reportable segments and the measurement basis of segment information.

6.6.24 CONTINGENCIES

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

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6.7 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) ***Judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) *Income Taxes*

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable at 30 June 2010 was RMB4,306,000 [RM2,055,000] (FYE2009: RMB7,015,000 [RM3,521,000]; FYE2008: RMB6,202,000 [RM3,153,000]; and FYE 2007: NIL).

(ii) *Biological Assets*

The directors have determined that market determined prices or values are not readily available for grape vines in its present condition and for which alternative estimates of fair value are determined to be clearly unreliable. Further, it is the first time that the land is used to plant the vines (previously such land was used for the cultivation of other crops), coupled with the management having no prior relevant experience in the cultivation of grapes. Therefore, the directors are of the opinion that prior to the vineyards having attained a sustainable yield of grapes from their harvest, the projected future cashflows from harvesting of grapes over the estimated useful life cannot be reliably ascertained. Accordingly, the biological assets are stated at cost less accumulated depreciation and impairment. Judgement has been exercised based on the conditions of the grape vines in determining that the net realisable value will exceed cost and thus, no impairment in biological assets is necessary as at the statement of financial position date. The carrying amount of the biological assets as at 30 June 2010 was RMB91,741,000 [RM43,779,000] (FYE2009:RMB88,069,000 [RM44,202,000]; FYE2008:RMB77,661,000 [RM39,483,000]; and FYE2007:RMB62,295,000 [RM28,245,000]).

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.7 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

(b) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Useful lives and residual values of production plant and machinery*

The cost of production plant and machinery is depreciated on a straight-line basis over the estimated useful life of the assets. Management estimates the useful life of the production plant and machinery to be 10 years and residual value to be 10% of cost. This is common life expectancy applied in the manufacturing industry. The carrying amounts of the Group's production plant and machinery as at 30 June 2010 was approximately RMB11,871,000 [RM: 5,663,000] (FYE2009: RMB13,386,000 [RM6,717,000]; FYE2008: RMB16,416,000 [RM8,345,000]; and FYE2007:RMB18,988,000 [RM8,609,000]).

Changes in the expected level of usage and technological developments could impact the economic useful life of the production plant and machinery; therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of the production plant and machinery from management's estimates would not result in any significant variance in profit for the period.

6.8 REVENUE

Revenue represents sales of goods net of discounts and value-added-tax ("VAT").

12. ACCOUNTANTS' REPORT (CONT'D)

6.9 INTEREST INCOME/(EXPENSE)

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Interest income from loans and receivables										
- bank balances	128	63	76	39	123	62	209	101	181	82
Interest expense on:										
- short term bank loans	-	-	(139)	(71)	(191)	(97)	(68)	(33)	-	-
- convertible notes (accretion of interest)	(3,037)	(1,487)	-	-	(2,354)	(1,189)	-	-	-	-
- others	(2)	(1)	-	-	-	-	-	-	-	-
	(3,039)	(1,488)	(139)	(71)	(2,545)	(1,286)	(68)	(33)	-	-

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.10 OTHER INCOME

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Gain arising from initial recognition of harvested grapes (Note a)	-	-	-	-	4,450	2,249	-	-	-	-
Fair value gain on derivative financial instruments (Note 6.28)	162	79	-	-	2,171	1,096	-	-	-	-
Others	-	-	-	-	-	-	519	250	-	-
	162	79	-	-	6,621	3,345	519	250	-	-

Note a: This relates to gain arising from the initial recognition of grapes at the point of harvest measured at their fair value less estimated point-of-sales cost.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.11 PROFIT BEFORE TAX

This is determined after charging the following items:

	Note	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Amortisation of long-term prepayments	6.18	104	51	104	53	208	105	208	100	208	94
Depreciation of property, plant and equipment	6.16	4,244	2,078	3,343	1,711	6,958	3,515	5,277	2,540	4,845	2,187
Depreciation of biological assets	6.17	-	-	-	-	1,417	716	-	-	-	-
Distributor promotional expenses		13,601	6,659	4,245	2,173	10,262	5,184	6,163	2,965	2,520	1,138
Write-off of property, plant and equipment		-	-	-	-	-	-	-	-	1,244	563
Employee compensation (Note A)	6.12	9,575	4,688	6,501	3,327	12,274	6,201	10,896	5,243	8,914	4,025
Expenses in relation to proposed listing of the Company		2,970	1,454	2,254	1,155	5,564	2,810	-	-	-	-
Foreign exchange loss, net		4	2	-	-	53	27	3	1	6	3
Operating lease expense – buildings		873	427	855	438	1,710	864	1,620	779	1,620	732
Operating lease expense – vineyard		1,650	808	1,650	844	3,300	1,667	3,300	1,588	3,300	1,490

Note A: Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 6.13

12. ACCOUNTANTS' REPORT (CONT'D)

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.12 EMPLOYEE COMPENSATION

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Salaries, wages and bonuses	8,724	4,271	5,599	2,866	10,507	5,308	9,436	4,541	7,789	3,518
Employer's contribution to defined contribution plans	703	344	699	358	1,368	691	1,173	564	927	419
Welfare expense	130	64	184	93	363	184	253	122	170	76
Labour union expense	18	9	19	10	36	18	34	16	28	12
	9,575	4,688	6,501	3,327	12,274	6,201	10,896	5,243	8,914	4,025

12. ACCOUNTANTS' REPORT (CONT'D)

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.13 RELATED PARTY TRANSACTION

The Group had the following transactions with related parties, on terms agreed between the respective parties:

(a) ***Compensation of key management personnel***

Related party transactions with key management personnel are as follows:

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short term employee benefits, representing compensation to key management personnel	2,338	1,145	971	497	1,830	925	1,860	895	1,138	514
Comprises amounts paid to:-										
- Directors	776	380	287	147	735	372	502	242	669	302
- Other key management personnel	1,562	765	684	350	1,095	553	1,358	653	469	212
	2,338	1,145	971	497	1,830	925	1,860	895	1,138	514

The remuneration of key management personnel is determined by the board of directors having regards to the performance of individuals and market trends

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.13 RELATED PARTY TRANSACTION (CONT'D)

(b) ***Rental***

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Rental of office building from a related party, in which a director, Mr Wang Chao has an interest	378	185	360	184	720	364	720	346	720	325

(c) ***Collateral for loans***

As at 31 December 2008, a related party of the Group has pledged the property rights of the aforementioned office building to secure short term bank loans of the Group as disclosed in Note 6.27.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.13 RELATED PARTY TRANSACTION (CONT'D.)

(d) ***Sales to Distributor***

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Sales to a distributor in which, a director, Mr Wang Chao, is deemed to have an interest	-	-	18,857	9,651	29,664	14,965	37,773	18,176	2,671	1,206
Trade receivable due from the distributor	-	-	5,650	2,892	-	-	5,711	2,903	-	-
Advance payment from the distributor	-	-	-	-	-	-	-	-	59	27

During the financial year ended 2009, the director's deemed interests in the Distributor were disposed off, and the distributor ceased to be a related party of the Group.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.14 INCOME TAX EXPENSE / (CREDIT)

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Current income tax										
- Current year income tax expense	13,035	6,382	10,245	5,243	20,408	10,310	17,482	8,412	-	-
Deferred income tax expense/(credit)										
- Origination of temporary differences	3,075	1,505	2,307	1,181	5,413	2,735	2,843	1,368	(1,242)	(561)
Income tax expense / (credit) recognised in the statement of comprehensive income	16,110	7,887	12,552	6,424	25,821	13,045	20,325	9,780	(1,242)	(561)

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.14 INCOME TAX EXPENSE / (CREDIT) (CONT'D.)

A reconciliation between tax expense and the product of profit/(loss) before tax multiplied by the applicable tax rate is as follows:

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Profit before tax	94,141	46,092	75,033	38,402	158,594	80,122	135,138	65,029	72,673	32,820
Tax at the applicable domestic tax rates	24,009	11,755	18,939	9,693	40,111	20,264	33,785	16,257	19,622	8,861
Tax effects of:										
- Tax relief	-	-	-	-	-	-	-	-	(21,467)	(9,694)
- Partial tax exemption	(12,508)	(6,124)	(9,665)	(4,947)	(21,701)	(10,963)	(17,492)	(8,417)	-	-
- Income not subject to tax	(28)	(14)	-	-	(369)	(186)	-	-	-	-
- Expenses not deductible for tax purposes	1,036	507	390	200	1,361	688	10	5	336	151
- Origination of temporary differences	(537)	(263)	(340)	(174)	(168)	(85)	(25)	(11)	267	121
- Withholding tax on unremitted earnings of subsidiary	4,186	2,049	3,228	1,652	6,910	3,491	4,047	1,946	-	-
- Others	(48)	(23)	-	-	(323)	(164)	-	-	-	-
Income tax expense / (credit) recognised in the statement of comprehensive income	16,110	7,887	12,552	6,424	25,821	13,045	20,325	9,780	(1,242)	(561)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.14 INCOME TAX EXPENSE (CONT'D)

According to the New Corporate Income Tax Law starting from 1 January 2008, companies in PRC are subject to PRC corporate income tax ("CIT") rate of 25%. According to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, the subsidiary in the PRC is entitled to exemption from CIT for the first two years commencing from the first profit-making year after offsetting all tax losses carried forward, and a 50% reduction for the three years thereafter. Ouhua PRC, the subsidiary of the Group, is in its fifth profit-making year for the financial period ended 30 June 2010 and benefits from the 50% reduction.

Temporary difference relating to investment in subsidiary

At the statement of financial position date, deferred tax liability of RMB15,143,000 [RM7,226,000] (FYE2009: RMB 10,957,000 [RM5,499,000]; FYE2008: RMB 4,047,000 [RM1,948,000]; and FYE2007: Nil) has been recognised for taxes that would be payable on the undistributed earnings of Ouhua PRC.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.15 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to ordinary equity holders of the parent for the financial year by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is calculated by dividing the Group's net profit attributable to ordinary equity holders of the parent for the financial period (after adjusting for interest expense on convertible notes) by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The dilutive potential ordinary shares relate to the convertible notes that are convertible into ordinary shares of the Company based on a discount of 40% to the share price of the Company at initial public offering. The dilutive potential shares are based on the estimated number of shares expected to be issued from conversion of the convertible notes to ordinary shares upon listing of the Company.

The following reflects the profit and loss and share data used in the computation of basic and diluted earnings per share for the periods ended 30 June 2010 and 2009; and years ended 31 December 2009, 2008 and 2007:

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.15 EARNINGS PER SHARE (CONT'D)

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Profit for the period/year attributable to ordinary equity holders of the parent used in computation of basic earnings per share	73,624	36,047	59,083	30,239	125,500	63,403	108,870	52,388	70,220	31,712
Add: Interest expense on convertible notes	3,037	1,487	-	-	2,354	1,189	-	-	-	-
Profit for the period/year attributable to ordinary equity holders of the parent used in computation of diluted earnings per share	76,661	37,534	59,083	30,239	127,854	64,592	108,870	52,388	70,220	31,712

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.15 EARNINGS PER SHARE (CONT'D)

	FPE 30.6.2010 Audited Number of shares ('000)	FPE 30.6.2009 Unaudited Number of shares ('000)	FYE 31.12.2009 Audited Number of shares ('000)	FYE 31.12.2008 Audited Number of shares ('000)	FYE 31.12.2007 Audited Number of shares ('000)
Weighted average number of ordinary shares for the calculation of basic earnings per share	500,000	252,500	376,250	5,000	5,000
Effects of dilution:					
Convertible notes	37,000	-	9,250	-	-
Weighted average number of ordinary shares for the calculation of diluted earnings per share	537,000	252,500	385,500	5,000	5,000

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.15 EARNINGS PER SHARE (CONT'D)

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB	RM	RMB	RM	RMB	RM	RMB	RM	RMB	RM
Earnings per share from Group's net profit attributable to ordinary equity holders of the parent (RMB cent/sen per share)										
- Basic	14.7	7.2	23.4	12.0	33.4	16.9	2,177.4	1,047.8	1,404.4	634.2
- Diluted	14.3	7.0	23.4	12.0	33.2	16.8	2,177.4	1,047.8	1,404.4	634.2

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.16 PROPERTY, PLANT AND EQUIPMENT

	Renovations		Plant and machinery		Office equipment		Motor vehicles		Vineyard land preparation costs & fixtures		Furniture and fittings (at specialty stores)		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cost														
At 1 January 2007	7,500	3,383	35,480	16,005	202	91	151	68	5,570	2,513	-	-	48,903	22,060
Additions	-	-	-	-	2	1	-	-	8,510	3,843	-	-	8,512	3,844
Translation differences	-	17	-	82	-	-	-	-	-	28	-	-	-	127
At 31 December 2007/ 1 January 2008	7,500	3,400	35,480	16,087	204	92	151	68	14,080	6,384	-	-	57,415	26,031
Additions	5,700	2,743	420	202	798	384	-	-	-	-	-	-	6,918	3,329
Translation differences	-	566	-	1,963	-	33	-	9	-	774	-	-	-	3,345
At 31 December 2008/ 1 January 2009	13,200	6,709	35,900	18,252	1,002	509	151	77	14,080	7,158	-	-	64,333	32,705
Additions	-	-	-	-	-	-	-	-	-	-	9,630	4,865	9,630	4,865
Tanslation differences	-	(85)	-	(234)	-	(6)	-	(1)	-	(91)	-	(32)	-	(449)
At 31 December 2009/ 1 January 2010	13,200	6,624	35,900	18,018	1,002	503	151	76	14,080	7,067	9,630	4,833	73,963	37,121
Tanslation differences	-	(326)	-	(887)	-	(25)	-	(4)	-	(348)	-	(237)	-	(1,827)
At 30 June 2010	13,200	6,298	35,900	17,131	1,002	478	151	72	14,080	6,719	9,630	4,596	73,963	35,294

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12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONTD.)

6.16 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Renovations		Plant and machinery		Office equipment		Motor vehicles		Vineyard land preparation costs & fixtures		Furniture and fittings (at specialty stores)		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Accumulated depreciation														
At 1 January 2007	(2,625)	(1,184)	(12,055)	(5,438)	(122)	(56)	(66)	(30)	(315)	(141)	-	-	(15,183)	(6,849)
Depreciation charge for the year	(750)	(339)	(3,193)	(1,442)	(37)	(16)	(27)	(12)	(838)	(378)	-	-	(4,845)	(2,187)
Impairment	-	-	(1,244)	(562)	-	-	-	-	-	-	-	-	(1,244)	(562)
Translation differences	-	(7)	-	(36)	-	-	-	-	-	(3)	-	-	-	(46)
At 31 December 2007/ 1 January 2008	(3,375)	(1,530)	(16,492)	(7,478)	(159)	(72)	(93)	(42)	(1,153)	(522)	-	-	(21,272)	(9,644)
Depreciation charge for the year	(845)	(407)	(2,992)	(1,440)	(17)	(8)	(15)	(7)	(1,408)	(678)	-	-	(5,277)	(2,540)
Translation differences	-	(208)	-	(988)	-	(9)	-	(5)	-	(103)	-	-	-	(1,313)
At 31 December 2008/ 1 January 2009	(4,220)	(2,145)	(19,484)	(9,906)	(176)	(89)	(108)	(54)	(2,561)	(1,303)	-	-	(26,549)	(13,497)
Depreciation charge for the year	(1,890)	(955)	(3,030)	(1,531)	(148)	(75)	(14)	(7)	(1,408)	(711)	(468)	(236)	(6,958)	(3,515)
Translation differences	-	33	-	137	-	2	-	1	-	21	-	1	-	195
At 31 December 2009/ 1 January 2010	(6,110)	(3,067)	(22,514)	(11,300)	(324)	(162)	(122)	(60)	(3,969)	(1,993)	(468)	(235)	(33,507)	(16,817)
Depreciation charge for the year	(945)	(463)	(1,515)	(742)	(74)	(36)	(7)	(3)	(704)	(345)	(999)	(489)	(4,244)	(2,078)
Translation differences	-	163	-	575	-	8	-	2	-	107	-	26	-	881
At 30 June 2010	(7,055)	(3,367)	(24,029)	(11,467)	(398)	(190)	(129)	(61)	(4,673)	(2,231)	(1,467)	(698)	(37,751)	(18,014)
Net carrying amount														
At 31 December 2007	4,125	1,870	18,988	8,609	45	20	58	26	12,927	5,862	-	-	36,143	16,387
At 31 December 2008	8,980	4,564	16,416	8,346	826	420	43	23	11,519	5,855	-	-	37,784	19,209
At 31 December 2009	7,090	3,557	13,386	6,718	678	341	29	16	10,111	5,074	9,162	4,598	40,456	20,305
At 30 June 2010	6,145	2,931	11,871	5,664	604	288	22	11	9,407	4,488	8,163	3,898	36,212	17,280

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.17 BIOLOGICAL ASSETS

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Immature planted vineyards:								
At cost:								
At 1 January	89,486	44,913	77,661	39,483	62,295	28,245	28,020	12,640
Additions	3,672	1,798	11,825	5,974	15,366	7,393	34,275	15,479
Exchange differences	-	(2,256)	-	(544)	-	3,845	-	126
At 30 June/31 December	93,158	44,455	89,486	44,913	77,661	39,483	62,295	28,245
Accumulated depreciation:								
At 1 January	(1,417)	(711)	-	-	-	-	-	-
Additions	-	-	(1,417)	(716)	-	-	-	-
Exchange differences	-	35	-	5	-	-	-	-
At 30 June/31 December	(1,417)	(676)	(1,417)	(711)	-	-	-	-
Net carrying amount								
At 30 June/31 December	91,741	43,779	88,069	44,202	77,661	39,483	62,295	28,245

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.17 BIOLOGICAL ASSETS (CONT'D.)

The Group held approximately 3,302,000 grape vines planted on 2 separate plots of land aggregating approximately 367 hectares of land. The grape vines were planted in 2006 and 2007 respectively. The grape vines are immature plants which have not been fully harvested as of 30 June 2010.

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Group consists of the management of the vineyards to produce grapes for use in the production of wine. The primary risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. The Group has not attained a sustainable annual yield of grapes from its vineyards and only about 1,000 tonnes (representing approximately one-third of estimated total yield upon maturity of the vineyards) were harvested for the first time in September 2009. The estimated total yield in the year of 2010 is approximately 2,000 tonnes (representing approximately half of estimated total yield upon maturity of the vineyards). Accordingly, the growth of the vines is deemed to be in their early stage and there exists high level of uncertainty with regards to the future outcome of their growth. This is affected by, inter alia, weather, biological properties of the vines planted, livability, disease, management of the vineyards, pollution etc.

The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements as well as continue to enhance its relationship with the farmers/suppliers from whom it has been purchasing grapes/grape juice for production of wine.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONTD.)

6.18 PREPAYMENTS, NON-CURRENT

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cost								
At 1 January	8,800	4,417	8,800	4,474	8,800	3,989	8,800	3,970
Exchange differences	-	(218)	-	(57)	-	485	-	20
At 30 June/31 December	8,800	4,199	8,800	4,417	8,800	4,474	8,800	3,990
Accumulated amortisation								
At 1 January	(832)	(418)	(624)	(317)	(416)	(188)	(208)	(94)
Amortisation charge for the year	(104)	(51)	(208)	(105)	(208)	(100)	(208)	(94)
Exchange differences	-	23	-	4	-	(29)	-	(1)
At 30 June/31 December	(936)	(446)	(832)	(418)	(624)	(317)	(416)	(189)
Net carrying amount								
At 30 June/31 December	7,864	3,753	7,968	3,999	8,176	4,157	8,384	3,801

Prepayments relate to crop compensation costs paid to the previous lessees of the land on which the Group's vineyards reside.

6. FINANCIAL STATEMENTS OF OUHUA (CONTD.)

6.19 INVESTMENT IN SUBSIDIARY

Name	Country of Incorporation	Principal activities	Proportion (%) of ownership interest
Ouhua PRC [1] (Registered capital of USD 9,000,000)	People's Republic of China	Production of varieties of wine and sales of its self produced wines	95

[1] Audited by Shandong Hua Bin Certified Public Accountant Co., Ltd for PRC statutory audit purpose and audited by Ernst & Young LLP, Singapore for purposes of inclusion in the consolidated financial statements.

Prior to the Restructuring Exercise, Ouhua PRC was 25% owned by The Group of Hualian Commercial Building (Spain) S.L. ("Hualian") and 75% owned by Yantai Ouhua Winery Co., Ltd. ("YO Winery"). Mr Wang Chao, Executive Chairman and CEO, was the ultimate beneficial owner of Ouhua PRC, holding his interest through Hualian and YO Winery.

Details of the Restructuring Exercise are as disclosed in Notes 2.2 and 3 of this report.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.20 DEFERRED TAX

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Deferred tax assets:								
Differences in the amortisation of biological assets for tax purposes	3,712	1,771	3,654	1,834	2,475	1,259	1,650	748
Amortisation of prepayment	234	112	208	104	156	79	104	48
Differences in depreciation of property, plant and equipment for tax purposes	1,377	657	1,179	592	771	392	444	201
Accruals	687	328	414	208	-	-	-	-
	6,010	2,868	5,455	2,738	3,402	1,730	2,198	997
Deferred tax liabilities:								
Differences in the income from harvest of grapes for tax purposes	-	-	556	279	-	-	-	-
Withholding tax on unremitted earnings of subsidiary	15,143	7,226	10,957	5,499	4,047	1,948	-	-
	15,143	7,226	11,513	5,778	4,047	1,948	-	-
Deferred tax liabilities, net	9,133	4,358	6,058	3,040	645	218	(2,198)	(997)

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.20 DEFERRED TAX (CONT'D.)

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Presented as:								
Deferred tax assets	6,010	2,868	4,899	2,459	3,402	1,730	2,198	997
Deferred tax liabilities	(15,143)	(7,226)	(10,957)	(5,499)	(4,047)	(1,948)	-	-
Deferred tax (liabilities)/ assets, net	(9,133)	(4,358)	(6,058)	(3,040)	(645)	(218)	2,198	997

Movements in the deferred tax assets during the financial period/year are as follows:

	30.6.2010 RMB'000	30.6.2010 RM'000	31.12.2009 RMB'000	31.12.2009 RM'000	31.12.2008 RMB'000	31.12.2008 RM'000	31.12.2007 RMB'000	31.12.2007 RM'000
Deferred tax (liabilities)/assets								
At 1 January	(6,058)	(3,040)	(645)	(218)	2,198	997	956	431
Charge to statement of comprehensive income (Note 6.14)	(3,075)	(1,505)	(5,413)	(2,735)	(2,843)	(1,368)	1,242	561
Exchange differences	-	187	-	(87)	-	153	-	5
At 30 June/31 December	(9,133)	(4,358)	(6,058)	(3,040)	(645)	(218)	2,198	997

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.21 INVENTORIES

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Statement of financial position:								
Raw materials	1,194	570	1,219	611	568	289	776	352
Work-in-progress	73,920	35,275	43,020	21,592	23,793	12,096	18,237	8,269
Finished goods	105	50	549	276	369	188	18	8
Total inventories at lower of cost and net realisable value	75,219	35,895	44,788	22,479	24,730	12,573	19,031	8,629
Statement of comprehensive income:								
Inventories recognised as an expense in cost of sales	67,514	33,055	122,017	61,643	96,291	46,335	57,621	26,022

During the financial period ended 30 June 2010; and financial years ended 31 December 2009, 2008 and 2007, there has been no inventory written off or allowance for inventory obsolescence.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.22 TRADE AND OTHER RECEIVABLES

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Trade receivables	103,208	49,250	84,411	42,366	44,353	22,549	1,346	610
Deposits	20	10	20	10	366	186	-	-
Total trade and other receivables	103,228	49,260	84,431	42,376	44,719	22,735	1,346	610
Add: Cash and bank balances (Note 6.24)	97,080	46,327	45,567	22,870	35,800	18,201	24,236	10,989
Total loans and receivables	200,308	95,587	129,998	65,246	80,519	40,936	25,582	11,599

During the financial period ended 30 June 2010; and financial years ended 31 December 2009, 2008 and 2007, there have been no trade receivables written off or allowance for doubtful trade receivables.

Trade receivables

Trade receivables are non-interest bearing and are normally settled on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

As at 30 June 2010, the Group has trade receivables amounting to RMB45,350,000 [RM21,641,000] that were past due but not impaired (FYE2009: Nil; FYE2008: Nil; and FYE2007: Nil). These trade receivables are unsecured and the analysis of their aging at the balance sheet is as follows:

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Trade receivables past due:								
Less than 30 days	27,654	13,196	-	-	-	-	-	-
30 to 60 days	17,696	8,445	-	-	-	-	-	-
	45,350	21,641	-	-	-	-	-	-

6. FINANCIAL STATEMENTS OF OUHUA (CONTD.)

6.23 PREPAYMENTS, CURRENT

Prepayments relate to expenses in relation to the proposed listing of Ouhua's shares on the Bursa Malaysia Securities Berhad. These are incremental costs directly attributable to the proposed listing of Ouhua.

6.24 CASH AND CASH EQUIVALENTS

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash and bank balances	97,080	46,327	45,567	22,870	35,800	18,201	24,236	10,989

Cash and bank balances have an effective interest rate of 0.36% per annum for financial period ended 30 June 2010 (FYE2009: 0.125% to 0.36% per annum; FYE2008: 0.36% to 0.72% per annum; and FYE2007: 0.72% to 0.81% per annum).

Cash and cash equivalents are denominated in the following currencies:-

	31.12.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Renminbi	96,695	46,143	44,820	22,495	35,800	18,201	24,236	10,989
Singapore Dollars	305	146	747	375	-	-	-	-
United States Dollars	80	38	-	-	-	-	-	-
	97,080	46,327	45,567	22,870	35,800	18,201	24,236	10,989

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.25 TRADE AND OTHER PAYABLES

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Trade payables	9,745	4,650	4,323	2,170	5,567	2,830	1,741	789
VAT and other operating tax payables	5,802	2,769	10,328	5,184	8,554	4,349	5,184	2,350
Other payables	60	29	105	52	91	46	56	26
Due to a corporate shareholder	24,628	11,752	6,474	3,249	-	-	-	-
Due to director (non trade)	-	-	-	-	-	-	41,250	18,703
Total trade and other payables	40,235	19,200	21,230	10,655	14,212	7,225	48,231	21,868
Add:								
Other liabilities (Note 6.26)	3,696	1,764	3,311	1,662	2,653	1,349	4,022	1,824
Short term bank loans(6.27)	-	-	-	-	5,000	2,542	-	-
Dividend payable	-	-	-	-	18,000	9,151	-	-
Total financial liabilities carried at amortised cost	43,931	20,964	24,541	12,317	39,865	20,267	52,253	23,692

Trade payables and other payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 days term while other payables have an average term of one month.

Due to a corporate shareholder (non-trade)

Amount due to a corporate shareholder is interest free, non-trade in nature, unsecured and repayable on demand.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.26 OTHER LIABILITIES

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Accrued operating expenses	3,696	1,764	3,311	1,662	2,514	1,278	1,469	666
Advances from customers	-	-	-	-	139	71	2,553	1,158
	3,696	1,764	3,311	1,662	2,653	1,349	4,022	1,824

6.27 SHORT TERM BANK LOANS

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Secured loans from bank:								
China Merchants Bank	-	-	-	-	3,000	1,525	-	-
China Merchants Bank	-	-	-	-	2,000	1,017	-	-
	-	-	-	-	5,000	2,542	-	-

These two short term bank loans bore interest at a floating rate of 1.2 times of the People's Bank of China's prime lending rate and were secured by certain property rights of a related party as disclosed in Note 6.13(c). The interest rate during the financial year ended 31 December 2008 was between 5.8% per annum to 7.5% per annum.

The maturity dates of all short term bank loans were within twelve months from the financial year end.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.28 CONVERTIBLE NOTES

On 23 September 2009, the Company entered into a Note Purchase Agreement with certain Pre-IPO Investors (the "Investors"), to issue unsecured convertible promissory notes (the "Notes") amounting to a total of SGD5,500,000. The Notes are convertible into ordinary shares of the Company at the discretion of the Investors at any time prior to the maturity of the Notes. The Notes are convertible into ordinary shares of the Company based on a discount of 40% to the share price of the Company at initial public offering. The Notes bear interest at 15% per annum in the event that they are not converted within 18 months from the date of issue or on the date of listing of the Company on the Bursa Malaysia Securities Berhad.

A put option was granted by the promoter/ a majority shareholder of the Company to the Investors. The Investors may, pursuant to the put option, sell their shares to the promoter/ a majority shareholder at 100% of the principal amount plus interest of 15% per annum. The fair value of the put option at the date the option was granted (i.e. 23 September 2009) is accounted for as equity contributions (put option written by a shareholder to convertible note holders) recorded within equity (Note 6.30).

The carrying amount of the liability component, embedded derivative component and put option at the statement of financial position date is derived as follows:

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.28 CONVERTIBLE NOTES (CONT'D.)

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Liability component								
Face value of convertible notes at initial recognition	-	-	26,678	13,390	-	-	-	-
Fair value of embedded derivative at initial recognition	-	-	(12,695)	(6,372)	-	-	-	-
Put option written by a shareholder to convertible note holders at initial recognition	-	-	(1,547)	(776)	-	-	-	-
Liability component at initial recognition	-	-	12,436	6,242	-	-	-	-
Liability component at beginning of period/year	14,818	7,437	-	-	-	-	-	-
Translation difference	10	(399)	28	6	-	-	-	-
Accretion of interest	3,037	1,487	2,354	1,189	-	-	-	-
Liability component at the end of financial period/year	17,865	8,525	14,818	7,437	-	-	-	-
Embedded derivative component								
At initial recognition	-	-	12,695	6,372	-	-	-	-
At beginning of financial period/year	10,496	5,268	-	-	-	-	-	-
Fair value gain on embedded derivative	(162)	(79)	(2,171)	(1,096)	-	-	-	-
Translation difference	7	(254)	(28)	(8)	-	-	-	-
Embedded derivative component at the end of financial period/year	10,341	4,935	10,496	5,268	-	-	-	-

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.29 SHARE CAPITAL

	30.6.2010 Audited			31.12.2009 Audited			31.12.2008 Audited			31.12.2007 Audited		
	No. of shares	RMB'000	RM'000	No. of shares	RMB'000	RM'000	No. of shares	RMB'000	RM'000	No. of shares	RMB'000	RM'000
Issued and fully paid:												
At beginning of period or 12 January 2009 (date of incorporation)	100	*	*	1	*	*	1	*	*	1	*	*
Issue of shares	-	-	-	99	*	-	-	-	-	-	-	-
At 30 June/ 31 December	100	*	*	100	*	*	1	*	*	1	*	*
Share split by sub-dividing 1 share into 5,000,000 shares at end of period	499,999,900	-	-	499,999,900	-	-	-	-	-	-	-	-
	500,000,000	-	-	500,000,000	-	-	1	-	-	1	-	-

* Denote less than RMB 1,000 / RM1,000

The Company was incorporated in Singapore on 12 January 2009 with an initial issued and paid up share capital of SGD1 comprising one ordinary share. Subsequently the share capital was increased to SGD100 via the issue of 99 shares for cash.

On 28 November 2009, the Company implemented a share split of 100 shares to 500,000,000 shares by sub-dividing one share into 5,000,000 shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.30 OTHER RESERVES

	30.6.2010		31.12.2009		31.12.2008		31.12.2007	
	Audited		Audited		Audited		Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Merger reserves	-	-	-	-	1,244	583	1,244	583
Equity contribution	2,570	1,299	2,570	1,299	-	-	-	-
Foreign currency translation reserve	61	(805)	80	5,938	-	7,429	-	(69)
Reserve funds	22,036	10,071	19,920	9,035	19,920	9,035	19,920	9,035
	24,667	10,565	22,570	16,272	21,164	17,047	21,164	9,549

Merger reserve

Merger reserve relates to the share capital of Ouhua PRC prior to the execution of the Group Restructuring Exercise whereby the Company acquired equity interests in Ouhua PRC.

Reserve funds

In accordance with the relevant laws and regulations of the PRC, companies in the PRC are required to set aside an enterprise expansion reserve fund and a general reserve fund by way of appropriation from their statutory net profit, as reported in the PRC statutory financial statements, at a rate to be determined by the board of directors of the Group. The board of directors of the Group has decided that 10% of the statutory net profit, as reported in the PRC statutory financial statements of the Group, be appropriated each year to each of the enterprise expansion reserve fund and general reserve fund respectively. There is no requirement for such appropriation of statutory net profit if the reserve funds meet 50% of the share capital.

The reserves may be used to offset accumulated losses or increase the registered capital of the Group, subject to approval from the PRC authorities and are not available for dividend distribution to the shareholders.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.30 OTHER RESERVES (CONT'D)

Equity contributions

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At 1 January	2,570	1,299	-	-	-	-	-	-
Purchase consideration of equity interest in subsidiary waived by a major shareholder	-	-	1,023	517	-	-	-	-
Put option written by a shareholder to convertible note holders	-	-	1,547	782	-	-	-	-
At 30 June/31 December	2,570	1,299	2,570	1,299	-	-	-	-

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.31 DIVIDENDS

During the financial periods ended 30 June 2010 and 30 June 2009, the Group's subsidiary declared dividends amounting to RMB Nil (RM Nil) and RMB66,995,000 [RM34,288,000] respectively.

During the financial year ended 31 December 2009 and prior to the Restructuring Exercise, the Group's subsidiary declared dividends amounting to RMB 66,995,000 [RM33,798,000] (2008: RMB 33,653,000[RM16,192,000]).

The dividends were paid to the then existing shareholders of the subsidiary, prior to the entity being restructured as a subsidiary of the Company.

6.32 SEGMENT INFORMATION

For management purposes, the Company has two reportable operating segments as follows:

(i) White wine ("WW")

The White wine segment relates to the business of producing white wines from Chardonnay, Riesling, Sauvignon Blanc, and Pinot Blancs grape varietals grown on the Company's vineyards, grapes sourced from grape growers from areas neighbouring the Company's vineyards as well as wines purchased for production.

(ii) Red wine ("RW")

The Red wine segment relates to the business of producing red wines from Cabernet Sauvignon, Pinot Noir, Shiraz, Merlot grape varietals, grown on the Company's vineyards, grapes sourced from grape growers from areas neighbouring the Company's vineyards, as well as wines purchased for production.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the tables below, is measured differently from operating profit or loss in the financial statements.

There is no inter-segment transfer for the financial periods ended 30 June 2010 and 30 June 2009; and financial years ended 31 December 2009, 2008 and 2007.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.32 SEGMENT INFORMATION (CONT'D.)

The following table presents revenue, results and other information regarding the Group's operating segments for the financial years ended 31 December 2007, 2008 and 2009, and periods ended 30 June 2009 and 2010:

	WW		RW		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 December 2007						
Revenue						
Sales to external customers	25,049	11,312	153,687	69,406	178,736	80,718
Results						
Segment gross profit	12,612	5,696	82,942	37,457	95,554	43,153
Unallocated expenses, net					(23,062)	(10,415)
Financial income					181	82
Profit before tax					72,673	32,820
Income tax credit					1,242	561
Net profit attributable to shareholders					73,915	33,381
Other segment information						
Amortisation of long term prepayments					(208)	(94)
Depreciation of property, plant and equipment					(4,845)	(2,187)
Impairment of plant and machinery					(1,244)	(562)

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.32 SEGMENT INFORMATION (CONT'D.)

	WW		RW		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 December 2008						
Revenue						
Sales to external customers	30,508	14,680	271,009	130,410	301,517	145,090
Results						
Segment gross profit	19,350	9,311	147,134	70,801	166,484	80,112
Unallocated expenses, net					(32,006)	(15,401)
Interest income					209	101
Other income					519	250
Interest expense					(68)	(33)
Profit before tax					135,138	65,029
Income tax credit					(20,325)	(9,780)
Net profit attributable to shareholders					114,813	55,249
Other segment information						
Amortisation of long term prepayments					(208)	(100)
Depreciation of property, plant and equipment					(5,277)	(2,540)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.32 SEGMENT INFORMATION (CONT'D.)

	WW		RW		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 December 2009						
Revenue						
Sales to external customers	41,939	21,188	333,591	168,530	375,530	189,718
Results						
Segment gross profit	26,044	13,157	181,462	91,675	207,506	104,832
Unallocated expenses, net					(53,111)	(26,831)
Interest income					123	62
Other income					6,621	3,345
Interest expense					(2,545)	(1,286)
Profit before tax					158,594	80,122
Income tax					(25,821)	(13,045)
Net profit attributable to shareholders					132,773	67,077
Other segment information						
Amortisation of long term prepayments					(208)	(105)
Depreciation of property, plant and equipment					(6,958)	(3,515)
Depreciation of biological assets					(1,417)	(716)
Fair value gain on derivative financial instrument					2,171	1,096

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.32 SEGMENT INFORMATION (CONT'D.)

	WW		RW		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
30 June 2009						
Revenue						
Sales to external customers	21,049	10,773	156,162	79,924	177,211	90,697
Results						
Segment gross profit	13,257	6,785	83,776	42,877	97,033	49,662
Unallocated expenses, net					(21,937)	(11,228)
Interest income					76	39
Interest expense					(139)	(71)
Profit before tax					75,033	38,402
Income tax credit					(12,552)	(6,424)
Net profit attributable to shareholders					62,481	31,978
Other segment information						
Amortisation of long term prepayments					(104)	(53)
Depreciation of property, plant and equipment					(3,343)	(1,711)

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.32 SEGMENT INFORMATION (CONT'D.)

	WW		RW		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
30 June 2010						
Revenue						
Sales to external customers	30,043	14,709	199,227	97,542	229,270	112,251
Results						
Segment gross profit	17,117	8,381	117,551	57,553	134,668	65,934
Unallocated expenses, net					(37,616)	(18,417)
Interest income					128	63
Interest expense					(3,039)	(1,488)
Profit before tax					94,141	46,092
Income tax expense					(16,110)	(7,887)
Net profit attributable to shareholders					78,031	38,205
Other segment information						
Amortisation of long term prepayments					(104)	(51)
Depreciation of property, plant and equipment					(4,244)	(2,078)
Fair value gain on derivative financial instruments (Note 6.28)					162	79

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.32 SEGMENT INFORMATION (CONT'D.)

Geographical information

Segmented information by geographical region is not applicable for the financial periods ended 30 June 2010 and 30 June 2009; and financial years ended 31 December 2007, 2008 and 2009 as the business operation of the Group is only in the PRC.

Information about major customers

	FPE 30.6.2010 Audited		FPE 30.6.2009 Unaudited		FYE 31.12.2009 Audited		FYE 31.12.2008 Audited		FYE 31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Major customers who contribute more than 10% of the revenue each:										
Top	69,289	33,924	55,034	28,166	114,287	57,738	38,119	18,343	-	-
Second	25,249	12,362	18,857	9,651	40,237	20,328	37,773	18,176	-	-
Third	22,853	11,189	17,903	9,163	37,015	18,700	35,818	17,236	-	-
Fourth	-	-	18,026	9,226	35,724	18,048	-	-	-	-
	117,391	57,475	109,820	56,206	227,263	114,814	111,710	53,755	-	-
Percentage of total revenue	51%	51%	62%	62%	61%	61%	37%	37%	-	-

6.33 COMMITMENTS

Operating lease commitments

The Group has operating lease agreements for its office and factory buildings and vineyards in the PRC. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. These leases have an average tenure between 20 and 50 years. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2010 and 31 December 2009, 2008 and 2007 are as follows:

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Not later than 1 year	5,144	2,455	5,046	2,533	5,010	2,547	4,920	2,231
1 year through 5 years	21,131	10,084	21,063	10,572	20,869	10,610	20,538	9,312
More than 5 years	169,748	81,004	172,437	86,547	178,677	90,839	183,018	82,980
	196,023	93,543	198,546	99,652	204,556	103,996	208,476	94,523

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Financial Officer. It is the Group's policy that no derivatives shall be undertaken. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. The Group subjects new customers to credit verification procedures and obtains advanced payments instead of granting credit. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the statement of financial position date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position as disclosed in Note 6.22.

Credit risk concentration profile

At the statement of financial position date, approximately 81% (FYE2009: 70%; FYE2008: 61%; FYE2007: 25%) of the Group's trade receivables were due from the top 5 major customers located in the PRC.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) ***Credit risk (Cont'd.)***

Financial assets that are either past due or impaired

There are no financial assets that are impaired. Information regarding the financial assets that are past due is disclosed in Note 6.22 of the financial statements.

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with different banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The financial liabilities of the Group at the statement of financial position date will mature in less than one year based on the carrying amount reflected in the financial statements.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) ***Liquidity risk (cont'd.)***

The table below summarises the maturity profile of the Group's financial assets and liabilities at the statement of financial position date based on contractual undiscounted payments.

	30.6.2010 Audited Within 1 Year		31.12.2009 Audited Within 1 Year		31.12.2008 Audited Within 1 Year		31.12.2007 Audited Within 1 Year	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial assets:								
Trade and other receivables	103,228	49,260	84,431	42,376	44,719	22,735	1,346	610
Cash and cash equivalents	97,080	46,327	45,567	22,870	35,800	18,201	24,236	10,989
Total undiscounted financial assets	200,308	95,587	129,998	65,246	80,519	40,936	25,582	11,599
Financial liabilities:								
Short term bank loans	-	-	-	-	5,078	2,582	-	-
Trade and other payables	40,235	19,200	21,230	10,655	14,212	7,225	48,231	21,868
Dividends payable	-		-	-	18,000	9,151	-	-
Convertible notes	26,678	12,731	26,678	13,390	-	-	-	-
Other liabilities	3,696	1,764	3,311	1,662	2,653	1,349	4,022	1,824
Total undiscounted financial liabilities	70,609	33,695	51,219	25,707	39,943	20,307	52,253	23,692
Total net undiscounted financial assets/(liabilities)	129,699	61,892	78,779	39,539	40,576	20,629	(26,671)	(12,093)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from cash at bank for financial period ended 30 June 2010; and short term bank loans at floating rates for the financial years ended 31 December 2009, 2008 and 2007. The Group obtains additional financing through bank borrowings at floating rate of Nil (FYE2009:1.1 times; FYE2008: 1.2 times) of the People's Bank of China's prime lending rate in the financial years ended 31 December 2009 and 2008. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in Notes 6.24.

	30.6.2010		31.12.2009		31.12.2008		31.12.2007	
	Audited		Audited		Audited		Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Floating rate								
Cash at bank	97,049	46,312	45,549	22,861	35,681	18,140	24,213	10,978
Short term bank loans	-	-	-	-	5,000	2,542	-	-

Sensitivity analysis for interest rate risk:

At 30 June 2010, if RMB interest rates had been 100 basis points (FYE 2009, FYE2008 and FYE2007: 100 basis points) lower/higher with all other variables held constant, the Group's profit after tax would have been RMB 970,000 [RM475,000] (FYE2009:RMB 455,000 [RM229,000]; FYE2008: RMB307,000 [RM147,000]; and FYE2007:RMB242,000 [RM109,000]) lower/higher, arising mainly as a result of lower/higher interest income/expense on cash at bank and short term bank loans.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) ***Foreign currency risk***

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in China, is not freely convertible. Enterprises operating in PRC can enter into exchange transactions through People's Bank of China or other authorised financial institutions.

Payments for imported materials or services, which are outside of the PRC, are subject to availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

As at 30 June 2010 and 31 December 2009, 2008 and 2007, sensitivity analysis for foreign currency risk is not applicable as the Group maintains minimal balances in foreign currency and thus has minimal exposure to foreign currency risk.

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.35 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets (Level 1)		Significant other observable (Level 2)		Significant unobservable (Level 3)		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 December 2009								
Financial liabilities:								
Derivatives								
- Embedded derivative component of convertible note	-	-	-	-	10,496	5,268	10,496	5,268
30 June 2010								
Financial liabilities:								
Derivatives								
- Embedded derivative component of convertible note	-	-	-	-	10,341	4,935	10,341	4,935

[Note: The financial instruments were issued in financial year ended 31 December 2009.]

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Derivatives (Note 6.28): The embedded derivative component of convertible notes is valued using a valuation technique which uses both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the successful listing of the Company on the Bursa Malaysia Securities Berhad and expected stock price volatility of the Company based on comparable companies within the industry.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.35 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

A. ***Fair value of financial instruments that are carried at fair value (cont'd.)***

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Derivatives - embedded derivative components of convertible notes			
	FPE 2010 Audited		FYE 2009 Audited	
	RMB'000	RM'000	RMB'000	RM'000
At 1 January/at initial recognition	10,496	5,268	12,695	6,372
Total gains:				
- in statement of comprehensive income (presented in other income)	(162)	(79)	(2,171)	(1,096)
- in other comprehensive income	7	(254)	(28)	(8)
Closing balance	10,341	4,935	10,496	5,268
Total gains for the period included in statement of comprehensive income (presented in other income) for liabilities held at 30 June 2010/31 December 2009	162	79	2,171	1,096

Impact of changes to key assumptions on fair value of Level 3 financial instruments

Management is of the view that the key assumption affecting the fair value of the level 3 financial instruments refer to the IPO success rate.

For embedded derivatives, the fair value had been determined using a valuation technique based on assumptions, including the Company's successful listing on the Bursa Malaysia Securities Berhad that are not supported by direct observable market data.

Had the IPO success rate been adjusted by 2.5% from management's estimates, the fair value of the embedded derivative component of convertible notes would differ by approximately RMB 547,000 (RM261,000) depending on whether such success rate increases or decreases. Such a variation is considered by the Group to be within a range of reasonably possible alternatives.

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.35 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

B. *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Current trade and other receivables; trade and other payables, other liabilities and short term bank loans (Notes 6.22,6.25 and 6.26)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the statement of financial position date.

6.36 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial period ended 30 June 2010 and financial years ended 31 December 2009, 2008 and 2007.

As disclosed in Note 6.34, the Group is required by relevant laws and regulations of the PRC to contribute to and maintain non-distributable reserve funds whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, short term bank loans, trade payables, other payables and accruals, amount due to a corporate shareholder, less cash and cash equivalents. Capital includes equity attributable to the equity holders less the abovementioned restricted reserve funds.

As at 30 June 2010, there is no gearing as the Group is in a net cash position.

12. ACCOUNTANTS' REPORT (CONT'D)

6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.36 CAPITAL MANAGEMENT (CONT'D.)

	30.6.2010 Audited		31.12.2009 Audited		31.12.2008 Audited		31.12.2007 Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Short term bank loans	-	-	-	-	5,000	2,542	-	-
Trade and other payables	40,235	19,200	21,230	10,655	14,212	7,225	48,231	21,868
Dividends payable	-	-	-	-	18,000	9,151	-	-
Convertible notes	17,865	8,525	14,818	7,437	-	-	-	-
Derivative financial instruments	10,341	4,935	10,496	5,268	-	-	-	-
Other liabilities	3,696	1,764	3,311	1,662	2,653	1,349	4,022	1,824
Total debt	72,137	34,424	49,855	25,022	39,865	20,267	52,253	23,692
Less: Cash and cash equivalents	(97,080)	(46,327)	(45,567)	(22,870)	(35,800)	(18,201)	(24,236)	(10,989)
Net (cash)/debt	(24,943)	(11,903)	4,288	2,152	4,065	2,066	28,017	12,703
Equity attributable to the equity holder	306,589	146,362	232,984	117,058	169,724	86,538	92,824	42,035
Less: Reserve funds	(22,036)	(10,071)	(19,920)	(9,035)	(19,920)	(9,035)	(19,920)	(9,035)
Total capital	284,553	136,291	213,064	108,023	149,804	77,503	72,904	33,000
Capital and net debt	259,610	124,388	217,352	110,175	153,869	79,569	100,921	45,703
Gearing ratio	N/A	N/A	2%	2%	3%	3%	28%	28%

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6. FINANCIAL STATEMENTS OF OUHUA (CONT'D.)

6.37 COMMITMENTS

As at 30 June 2010, the Company has approximately USD2,360,000 [RMB15,993,000 / RM7,250,000] of capital commitments in respect of the capital contribution in Ouhua PRC, In accordance with the Capital Increase Agreement and pursuant to the Company Law of the PRC, the Company has up to 24 March 2011 to contribute this amount to the registered capital of Ouhua PRC.

On 29 July 2010, the Company contributed approximately USD2,360,000 [RMB15,993,000 / RM7,250,000] to the registered capital of Ouhua PRC. Subsequent to the capital injection, the Company completed its capital commitment under the Capital Increase Arrangement dated 16 March 2009.

6.38 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial period ended 30 June 2010 were authorized for issue in accordance with a resolution of the directors on 3 September 2010.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Choong Mei Ling
No. 1918/09/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia

ERNST & YOUNG

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REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(Prepared for inclusion in the Prospectus to be dated 15 October 2010)

30 September 2010

The Board of Directors
China Ouhua Winery Holdings Limited
1 Robinson Road
#17-00, AIA Tower
Singapore 048542

Dear Sirs,

CHINA OUHUA WINERY HOLDINGS LIMITED
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We report on the Proforma Consolidated Financial Information comprising the proforma consolidated statements of comprehensive income for financial period 1 January 2010 to 30 June 2010, proforma consolidated statements of financial position as at 30 June 2010 and the proforma consolidated statements of cash flows for the financial period 1 January 2010 to 30 June 2010 of China Ouhua Winery Holdings Limited ("Ouhua" or "the Company") and its subsidiary company, Yantai Ouhua Fazenda Wine Co., Ltd ("Ouhua PRC") (collectively "Ouhua Group"), which have been prepared by the Directors of Ouhua, and attached in Appendix I.

The Proforma Consolidated Financial Information has been prepared for illustrative purposes only for inclusion in the Prospectus of Ouhua to be dated 15 October 2010 in connection with the listing of the Company on the Main Market of Bursa Securities Berhad and is based on the assumptions as set out in the accompanying notes to provide information on how the following proposals might have affected the Proforma Consolidated Financial Information presented on the basis of accounting policies adopted by Ouhua in preparing the financial statements for the financial period ended 30 June 2010 in accordance with International Financial Reporting Standards:-

(a) Issuance of new Ouhua shares pursuant to the conversion of the unsecured convertible promissory notes ("Convertible Notes") amounting to SGD5,500,000 (RMB28,206,000/RM13,460,000); and
(b) Proposed public issue of 132,550,000 new Ouhua shares at an issue price of RM0.60 per share.

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This letter is required by and is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission ("Prospectus Guidelines") and for no other purpose.

The Proforma Consolidated Financial Information, because of its nature, may not be reflective of Ouhua Group's actual financial results, financial position and cash flows.

Responsibilities

It is the responsibility of the Board of Directors of Ouhua to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Prospectus Guidelines.

It is our responsibility to form an opinion on the Proforma Consolidated Financial Information as required by the Prospectus Guidelines and to report our opinion to you.

In providing this opinion we are not responsible for updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with Malaysian Approved Standard on Assurance, ISAE 3000 – Assurance Engagements Other Than Audit or Review of Historical Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the Proforma Consolidated Financial Information to the audited financial statements as listed below:-

(a) the audited financial statements of Ouhua Group for the financial years ended 31 December 2008 and 2009 and for the financial period 1 January 2010 to 30 June 2010; and

(b) the audited financial statements of Ouhua PRC for the year ended 31 December 2007 [Note: Ouhua Group existed from 12 January 2009 with the incorporation of Ouhua.]

considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of Ouhua.

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Basis of Opinion (Cont'd.)

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Proforma Consolidated Financial Information has been properly compiled on the bases stated using financial statements prepared in accordance with International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of Ouhua and Ouhua PRC. Our work also involves assessing whether the material adjustments made to the information used in the preparation of the Proforma Consolidated Financial Information are appropriate for the purposes of preparing the Proforma Consolidated Financial Information.

Our Opinion

In our opinion:-

(a) the Proforma Consolidated Financial Information which has been prepared by the Directors of Ouhua has been properly compiled on the bases stated in the accompanying notes using financial statements prepared in accordance with International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and accounting policies adopted by Ouhua and Ouhua PRC; and

(b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Financial Information is appropriate for the purposes of preparing such Proforma Consolidated Financial Information.

Ernst & Young
AF: 0039
Chartered Accountants

Choong Mei Ling
No. 1918/09/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia

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APPENDIX I

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. Introduction

The Proforma Consolidated Financial Information, which consist of the proforma consolidated statement of comprehensive income for the financial period ended ("FPE") 1 January 2010 to 30 June 2010, the proforma consolidated statements of financial position as at 30 June 2010 and the proforma consolidated statement of cash flows for FPE 30 June 2010 of Ouhua Group and for which the Directors of Ouhua are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus of Ouhua to be dated 15 October 2010 in connection with the listing of Ouhua on the Main Market of Bursa Securities Berhad.

The Restructuring Exercise and Listing Scheme as described in Notes 2 and 3 below may not, because of its nature, give a true picture of the Group's actual financial results, financial position and cash flows. Further, such information does not purport to predict the future financial position and results of the Group.

2. Restructuring Scheme

The Group was formed through a Restructuring Scheme which involved a series of acquisitions and the rationalisation of shareholding structure of the Group.

The Restructuring Scheme involved the following steps:-

(a) Incorporation of the Company

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 1 ordinary share in Ouhua ("Ouhua Share") which was subsequently increased to SGD100 comprising 100 Ouhua Shares by way of creation of an additional 99 Ouhua Shares, which were allotted and issued to its Promoter, Hua Xin International Holdings Limited.

(b) Acquisition of the equity interest of Ouhua PRC

On 13 March 2009, Ouhua entered into an equity transfer agreement with the Group of Hualian Commercial Building (Spain) S.L. ("Hualian") to acquire 25% equity interest in Ouhua PRC held by Hualian ("Equity Transfer Agreement") for a purchase consideration of approximately RMB1,023,000 ("Acquisition Consideration").

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

2. Restructuring Scheme (Contd.)

(b) Acquisition of the equity interest of Ouhua PRC (Contd.)

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 Ouhua 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 Ouhua (the "Deed of Release and Discharge"), Mr Wang Chao confirmed that as at 27 September 2009, Mr Wang Chao had unconditionally discharged and released Ouhua 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.

(c) Additional capital injection into Ouhua PRC

Details of the capital injection into Ouhua in Ouhua PRC are as follows:-

16 March 2009	Ouhua entered into a capital increase agreement with Yantai Ouhua Wine Industry Co Ltd ("YO Winery") to invest an aggregate sum of USD8,400,000 in cash into Ouhua PRC for an additional 70% equity interests in Ouhua PRC. Subsequent to the acquisition of Ouhua PRC and capital injection, Ouhua will hold 95% equity interest in the registered capital of Ouhua PRC with YO Winery holding the remaining 5%.
10 May 2009	The Board of Directors of Ouhua PRC, vide a resolution approved an increase in Ouhua PRC's registered capital by USD8,400,000 from USD600,000 to USD9,000,000. Ouhua being the identified investor is required to pay an upfront amount of a minimum 20% of the total additional capital and the balance of the 80% will be payable within 2 years.
27 September 2009	Ouhua increased its equity interest in Ouhua PRC to 80.76% for a cash contribution of approximately USD1,739,000 .

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

2. Restructuring Scheme (Contd.)

5 October 2009	Ouhua increased its equity interest in Ouhua PRC to 89.55% for a cash contribution of approximately USD1,966,000.
27 November 2009	Ouhua entered into a call option agreement with YO Winvery to acquire the remaining 5% equity interest held by YO Winery at a purchase consideration to be determined by an independent valuer, subject to terms and conditions of the option agreement. The call option is valid for a period of 2 years from the date of the listing of Ouhua on Bursa Securities. Upon exercise of the above call option, Ouhua PRC will become a wholly foreign owned enterprise ("WFOE"). In accordance with the relevant laws and regulations of the PRC, Ouhua PRC will be required to set aside at least 10% of its net profit each year to fund the designated statutory reserve fund until such reserve fund reaches 50% of its registered capital. These statutory reserves are not available for distribution as cash dividend.
4 December 2009	The minority shareholder, YO Winery provided a letter of undertaking that states that the risk and rewards of Ouhua in the equity interest of Ouhua PRC is 95%. In accordance with the capital increase agreement dated 16 March 2009 and pursuant to the Company law of the PRC, Ouhua has up to 24 March 2011 to contribute the remaining USD4,700,000 to the registered capital of Ouhua PRC.
30 June 2010	Ouhua contributed in total of approximately USD6,040,000 to the registered capital of Ouhua PRC. In accordance with the capital increase agreement and pursuant to the Company Law of PRC, Ouhua has up to 24 March 2011 to contribute the remaining approximately USD2,360,000 to the registered capital of Ouhua PRC.
29 July 2010	Ouhua contributed USD2,360,000 to the registered capital of Ouhua PRC. Subsequent to the capital injection, Ouhua completed its capital commitment under the Capital Arrangement dated 16 March 2009.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

3. Restructuring Scheme (Contd.)

(d) Issuance of unsecured convertible promissory notes

On 23 September 2009, Ouhua entered into a Note Purchase Agreement with OSK Technology Ventures Sdn Bhd, OSK Nominees (Tempatan) Sdn Bhd, Mr Yap Shing, Mr Yap Shong and Mr Chia Kee Siong (collectively the "Pre-IPO Investors"), to issue unsecured convertible promissory notes (the "Notes") amounting to a total of SGD5,500,000 to the Pre-IPO Investors. The Notes are convertible into ordinary shares of Ouhua at the discretion of the Pre-IPO Investors at any time prior to maturity of the Notes. The Notes are convertible into Ouhua Shares at a discount of 40% to the share price of Ouhua Shares at initial public offering. The Notes bear interest at 15% per annum in the event that they are not converted within 18 months from the date of issue or on the date of listing of Ouhua on Bursa Securities.

The Notes were converted into 35,450,000 Ouhua Shares on 20 September 2010.

(e) Share Split

On 28 November 2009, Ouhua implemented a share split of 100 shares to 500,000,000 shares by sub-dividing each Ouhua share into 5,000,000 Ouhua shares.

3. Listing Scheme

Ouhua is seeking a listing on the Main Market of Bursa Securities and the details of the proposed initial public offering ("IPO") are as follows:

Public issue of 132,550,000 new Ouhua Shares at an issue price of RM0.60 per share, payable in full upon application comprising:

a) 124,550,000 Ouhua Shares available for application by way of placement to identified investors; and

b) 8,000,000 Ouhua Shares for application by the Malaysian public.

13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF OUHUA GROUP (CONT'D)

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

4. Proforma Consolidated Statement of Comprehensive Income of Ouhua Group for the Financial Period Ended 30 June 2010 and Audited Consolidated Statements of Comprehensive Income for the Financial Years Ended 31 December 2007 to 2009

	FPE 2010 (Proforma)		FPE 2010 (Audited)		FPE 2009 (Unaudited)		FYE 2009 (Audited)		FYE 2008 (Audited)		FYE 2007 (Audited)	
	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 expenses	(8,209)	(3,955)	(2,970)	(1,454)	(2,254)	(1,155)	(5,564)	(2,810)	(459)	(221)	(1,244)	(562)
Profit before tax	88,902	43,591	94,141	46,092	75,033	38,402	158,594	80,122	135,138	65,029	72,673	32,820
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
Profit after tax	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
-Minority interests	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
-Minority interests	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
Gross profit margin (Gross profit / revenue) (%)	59	59	59	59	55	55	55	55	55	55	53	53
Profit after tax margin (Profit after tax / revenue) (%)	32	32	34	34	35	35	35	35	38	38	41	41

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

4. Proforma Consolidated Statement of Comprehensive Income of Ouhua Group for the Financial Period Ended 30 June 2010 and Audited Consolidated Statements of Comprehensive Income for the Financial Years Ended 31 December 2007 to 2009 (Contd.)

The consolidated statement of comprehensive income of Ouhua Group from 1 January 2009 to 30 June 2009 is unaudited and is included for comparison purposes only.

The proforma consolidated statement of comprehensive income of Ouhua Group for FPE 30 June 2010, for which the Directors of Ouhua Group are solely responsible, have been prepared for illustrative purposes to show the effects on the statement of comprehensive income of Ouhua Group had the transactions described in Notes 2 and 3 been implemented.

The proforma consolidated statement of comprehensive income for FPE 30 June 2010 has been prepared using the accounting policies and bases consistent with those adopted by Ouhua Group in the preparation of the following audited financial statements:-

(a) the audited financial statements of Ouhua Group for the financial years ended 31 December 2008 and 2009 and for the period 1 January 2010 to 30 June 2010; and

(b) the audited financial statements of Ouhua PRC for the year ended 31 December 2007 [Note: Ouhua Group existed from 12 January 2009 with the incorporation of Ouhua.]

The above-mentioned audited financial statements have been prepared in accordance with International Financial Reporting Standards and audited by Ernst & Young Singapore.

The proforma consolidated statement of comprehensive income for FPE 30 June 2010 of Ouhua Group has been prepared using the following assumptions:-

(a) The listing expenses in respect of the initial public offering were incurred and recognised on 30 June 2010;

(b) The new Ouhua shares issued pursuant to the conversion of the Convertible Notes amounting to SGD5,500,000 were issued on 30 June 2010;

(c) The exchange rates as at 30 June 2010 are as follows:-

Malaysian Ringgit (RM 1)	: RMB2.0956
Chinese Renmimbi (RMB 1)	: RM0.4772

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

4. Proforma Consolidated Statement of Comprehensive Income of Ouhua Group for the Financial Period Ended 30 June 2010 and Audited Consolidated Statements of Comprehensive Income for the Financial Years Ended 31 December 2007 to 2009 (Contd.)

(d) The average exchange rates for financial periods ended 30 June 2010 and 2009 and financial years ended 31 December 2009, 2008 and 2007 used in the translation of RMB 1 to RM are as follows:-

	FPE 30.6.2010	FPE 30.6.2009	FYE 2009	FYE 2008	FYE 2007
Based on average rates for the relevant periods [Chinese Renminbi]	0.4896	0.5118	0.5052	0.4812	0.4516

Source: Bank Negara Malaysia website

13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF OUHUA GROUP (CONT'D)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5. Proforma Consolidated Statements of Financial Position of Ouhua Group

	Note	Audited 30.6.2010		Proforma I		Proforma II		Proforma III	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
ASSETS									
Non-current assets									
Property, plant and equipment	5.3.1	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	5.3.2	1,968	939	1,968	939	1,968	939	-	-
Cash and cash equivalents	5.3.3	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

13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF OUHUA GROUP (CONT'D)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5. Proforma Consolidated Statements of Financial Position of Ouhua Group (Contd.)

	Note	Audited 30.6.2010		Proforma I		Proforma II		Proforma III	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
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	5.3.4	17,865	8,525	-	-	-	-	-	-
Derivative financial instruments	5.3.4	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
NET CURRENT ASSETS		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 - Note (i)	5.3.5	-	-	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)
Minority interests		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	5.3.6	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

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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF OUHUA GROUP (CONT'D)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5. Proforma Consolidated Statements of Financial Position of Ouhua Group (Contd.)

	Audited 30.6.2010		Proforma I		Proforma II		Proforma III	
Number of ordinary shares in issue	500,000,000	500,000,000	535,450,000	535,450,000	668,000,000	668,000,000	668,000,000	668,000,000
Net assets (excluding minority interests) (RMB'000/RM'000)	306,589	146,362	334,795	159,822	501,455	239,352	488,323	233,085
Net tangible assets (excluding minority interests) (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 minority interests) (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 minority interests) (RMB /RM) - Note (ii)	0.60	0.29	0.61	0.29	0.74	0.35	0.72	0.34
Gearing ratio (Total liabilities / total equity (excluding minority interests)	0.30	0.30	0.19	0.19	0.13	0.13	0.13	0.13

Note (i):The audited balance of the share capital of Ouhua as at 30 June 2010 is RMB474 (RM228).

Note (ii): For the purpose of calculating net tangible assets, the non-current prepayments have been excluded.

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5.1 Basis of Preparation

The proforma consolidated statements of financial position of Ouhua Group for the FPE 30 June 2010, for which the Directors of Ouhua are solely responsible, have been prepared for illustrative purposes to show the effects of the transactions as described in the following sections on the audited statements of financial position of the Ouhua Group had they been implemented and completed on that date and are based on the audited financial statements of Ouhua Group for the FPE 30 June 2010.

The proforma consolidated statements of financial position have been prepared based on the accounting policies and bases consistent with those adopted by Ouhua Group in the preparation of their audited financial statements for the FPE 30 June 2010 which have been prepared in accordance with International Financial Reporting Standards.

All inter-company balances are eliminated on consolidation.

5.2 Effects on the Proforma consolidated statement of financial position

5.2.1 Proforma consolidated statement of financial position (Proforma I)

Proforma I incorporates the effects of the conversion of unsecured convertible promissory notes of SGD5,500,000 to 35,450,000 Ouhua shares on the assumption that the Ouhua shares were issued on 30 June 2010.

5.2.2 Proforma consolidated statement of financial position (Proforma II)

Proforma II incorporates the effects of Proforma I and a proposed public issue of 132,550,000 new Ouhua shares at an issue price of RM0.60 per share, payable in full upon application comprising:

(a) 124,550,000 Ouhua shares available for application by way of placement to identified investors; and

(b) 8,000,000 Ouhua shares available for application by the Malaysian public.

The proposed Public Issue is assumed to be fully subscribed with total proceeds of approximately RMB166,660,000 (RM79,530,000).

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5.2.3 Proforma consolidated statement of financial position (Proforma III)

Proforma III incorporates the effects of Proforma I and Proforma II and the following proposed utilisation of proceeds from the proposed public issue:

	RMB'000	RM'000
Expansion of market presence and distribution network, in particular Ouhua Specialty stores	74,997	35,788
Enhance the quality and control over material supplies	16,666	7,952
Expansion of production capacity and range of wines	24,999	11,930
Enhance research and development capabilities	8,333	3,977
Working capital	19,999	9,544
Estimated listing expenses	21,666	10,339
Total	166,660	79,530

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5.3 Summary of Effects

5.3.1 Property, Plant and Equipment

	RMB'000	RM'000
Balance after Proforma II	36,212	17,280
Add: Proposed capital expenditure	24,999	11,930
Proforma III	61,211	29,210

5.3.2 Prepayments

	RMB'000	RM'000
Balance after Proforma II	1,968	939
Listing expenses charged out	(1,968)	(939)
Proforma III	-	-

5.3.3 Cash and Cash Equivalents

	RMB'000	RM'000
Audited balance and Proforma I	97,080	46,327
Add: Proceeds from proposed public issue	166,660	79,530
Proforma II	263,740	125,857
Less:		
- Payment of proposed listing expenses [(1)]	(11,164)	(5,328)
- Proposed expansion of production capacity and range of wines	(24,999)	(11,930)
Proforma III	227,577	108,599

(1) Payment of listing expenses:-

	RMB'000	RM'000
Payment of listing expenses	21,666	10,339
Less: Expenses paid up to 30 June 2010	(10,502)	(5,011)
Balance of listing expenses to be paid	11,164	5,328

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

5.3 Summary of Effects (Contd.)

5.3.4 Convertible Notes and Derivative Financial Instruments

	Convertible Notes		Derivative Financial Instruments		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Audited balance	17,865	8,525	10,341	4,935	28,206	13,460
Add: Conversion to Ouhua shares	(17,865)	(8,525)	(10,341)	(4,935)	(28,206)	(13,460)
Proforma I	-	-	-	-	-	-

5.3.5 Share Capital

	Number of shares	RMB'000	RM'000
Audited and Proforma I [(1)]	500,000,000	-	-
Conversion of convertible notes to Ouhua Shares	35, 450,000	28,206	13,460
Proforma I	535,450,000	28,206	13,460
Proposed public issue and Listing	132,550,000	166,660	79,530
Proforma II	668,000,000	194,866	92,990
Listing expenses capitalised	-	(7,893)	(3,766)
Proforma III	668,000,000	186,973	89,224

(1):The audited balance of the share capital of Ouhua as at 30 June 2010 is RMB474 (RM228).

5.3.6 Retained profits

	RMB'000	RM'000
Balance after Proforma II	281,922	135,797
Add: Proposed listing expenses charged to the income statement	(5,239)	(2,501)
Proforma III	276,683	133,296

6. Proforma Consolidated Statement of Cash Flow of Ouhua Group for the Financial Period ended 30 June 2010

	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	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)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONTD.)

6. Proforma Consolidated Statement of Cash Flow of Ouhua Group for the Financial Period ended 30 June 2010(Contd.)

	RMB'000	RM'000
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

6.1. Basis of Preparation

The proforma consolidated statement of cash flow of Ouhua Group for FPE 30 June 2010, for which the Directors of Ouhua Group are solely responsible, has been prepared for illustrative purposes to show the effects of the transactions as described in Section 5.2.

The proforma consolidated statement of cash flow has been prepared based on the audited financial statements of Ouhua Group for the FPE 30 June 2010.

The proforma consolidated statement of cash flow has been prepared based on the accounting policies and bases consistent with those adopted by the Ouhua Group in the preparation of their audited financial statements for the FPE 30 June 2010, which have been prepared in accordance with International Financial Reporting Standards.

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28 SEP 2010

The Board of Directors
China Ouhua Winery Holdings Limited
1 Robinson Road
#17-00 AIA Tower
Singapore 048542

Dear Sirs,

Executive Summary of the Independent Market Research Report on the Wine Market in China

This Executive Summary of the Independent Market Research Report on the Wine Market in China is prepared by Frost & Sullivan GIC Malaysia Sdn Bhd for inclusion in the Prospectus of China Ouhua Winery Holdings Limited in connection with its listing on the Main Market of Bursa Malaysia Securities Berhad.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:

Dennis Tan
Director

Bangkok Bangalore Beijing Bogota Buenos Aires Cape Town Chennai Delhi Dubai
Frankfurt Jakarta Kolkata London Manhattan Melbourne Milan Mexico City Mountain View
Mumbai New York Oxford Paris Warsaw San Antonio Sao Paulo Seoul Shanghai
Singapore Sophia Antipolis Sydney Tokyo Toronto

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The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the *Expert Opinion Consensus Methodology*. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed in September 2010

This report is prepared for inclusion in the Prospectus of China Ouhua Winery Holdings Limited for submission to the Securities Commission Malaysia and other relevant parties.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For further information, please contact:

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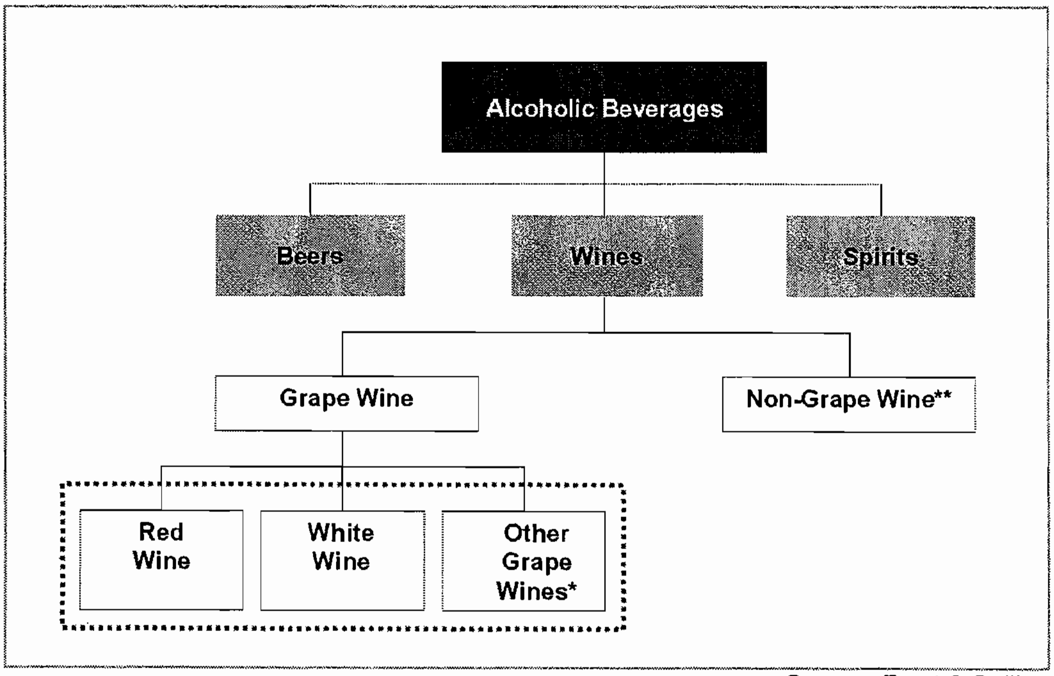
50480 Kuala Lumpur.

Market Segmentation

The wine industry is part of the alcoholic beverages grouping. There are three broad categories under alcoholic beverages- namely beer, wine, and spirits. For the purpose of this report, the wine segment focuses on the grape wine market; specifically, red wine and white wine.

Figure 1: Key Market Segments for the Wine Industry, 2009



Source: Frost & Sullivan

** Other Grape Wine includes ice wine, sparkling wine, e.g. Champagne and other types of grape wine*

*** Non-Grape Wine includes fruit wine (non-grape such as apple), rice wine, yellow wine, ginger wine and others*

Types of Wine

There are two common types of wine – non-grape wine and grape wine.

Non-Grape Wine

Barley and rice wine are starch-based examples of non-grape wine. These and some other wine, such as yellow wine and ginger wine, are popular in certain countries such as the United Kingdom and Australia for ginger wine, and PRC and Taiwan for yellow wine.

Wine made of apples and berries are commonly known as fruit wine or country wine. Popular types of non-grape wine include plum wine which is consumed in countries such as Japan, South Korea, Taiwan, and PRC. Rose hip and dandelion wine are also some types of non-grape wine that have a strong following in different parts of the world. However, non-grape wine is, generally, not as well sought after as grape wine.

Grape Wine

Grape wine is typically made from fermented grapes. The most common wine is produced from the fermentation of crushed grapes, added with yeast for conversion into alcohol. The inherent chemical composition in grapes eliminates the need to add sugar, acids, or other enzymes during the fermentation process.

Vintage wine refers to wine made and labelled from grapes that are mostly grown in a particular year. As such, subtle differences in terms of colour, palate, nose, body and development are derived from the variations in a wine's character from year to year; climate can also pose a big impact on the character of a wine in flavour and quality in vintage wine. As such, high-quality wine that are properly stored can improve in flavour with age. Non-vintage wine is known for consistency as it is often blended with more than one vintage which provides a reliable market image and maintenance of sales to the non-vintage wine-makers.

The most popular types of grape wine are white wine and red wine. Being stronger in texture and aromatic, red wine often accompanies red meat and heavy meals. Some of the common red wine types include Cabernet Sauvignon, Cabernet Franc, Pinot Noir, Merlot, Chianti, Barolo, Barberesco, Bordeaux, Petite Sirah, Syrah, Shiraz, Grenache, Sangiovese, Malbec, Tempranillo, Zinfandel, and Côtes du Rhône. These wine types and flavours are mostly determined by the combination or blend of grapes used.

In both style and taste, white wine is considered lighter and more refreshing than red wine. They are ideal for lighter meals that include white meat and fish, and often consumed during spring and summer occasions. White wine varieties are known as "The Big Eight" which include

Chardonnay, Sauvignon Blanc, Riesling, Gewurztraminer, Pinot Gris or Pinot Grigio, Semillon, Viognier, and Chenin Blanc.

Generally, there are two standard methods of classifying wine - by region and by grape type. In Europe (especially in established areas), wine is defined by the region grown; for example, Champagne is exclusively from the Champagne region of France; whereas, Port is the only wine grown in Portugal. It should be noted that many European wine disclose originating region on the bottle labels, but usually do not list the grape type.

As for newer regions, such as in the United States of America (USA), South America, Australia and other countries, wine is promoted based on the grape types. For example, wine from Napa Valley would state "Chardonnay" or "Cabernet Sauvignon" or "Merlot" even though it comes from Napa Valley as this particular Californian region produces a variety of grapes.

Note: For the purpose of this report, grape wine will be referred to simply as "wine". Hence, from this point onwards all references to "wine" should be taken to mean grape wine. All other types of wine will be referred to specifically by type.

Overview of the Global Wine Market

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. Grape wine grows in regions with Mediterranean-type climates such as Southern Europe which includes Italy, France, Germany, and Spain.

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

Figure 2: Major Global Producers of Wine (ML), 2008

No	Country	Estimated Production in Million Litres (ML)*2
1	France	4,712
2	Italy	4,610
3	Spain	3,400
4	USA	2,300
5	Argentina	1,520
6	Australia	1,245
7	South Africa	1,026
8	Germany	1,026
9	PRC*1	960
10	Chile	850
Total of Major Producers		**21,649**
Others		**4,820**
Total		**26,469**

*Note:*1 Refers to 2009.*

** Converted from tons to litres, based on estimated rate of 1 ton=1,000 litres.*

Source: Secondary Research conducted by Frost & Sullivan

The global production of wine stood at 26,460 ML; and the major producers churned out about 82 percent of total global production with 21,469 ML. The European region dominated wine production and exports in the world in 2008, contributed largely by the top three 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 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 percent of total global production in 2008. Germany was the seventh largest wine producer globally at 1,026 ML in 2008.

In the Americas region, USA 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 United States 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 of wine produced in 2008. The country has approximately 170,000 hectares of 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 planted vineyards located mainly around the Cape Province region.

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 (based on 2008 data for the rest of the producing countries).

Global Wine Consumption

Global wine consumption was estimated at 23,655 ML in 2009, with the major wine consuming nations drinking around 70 percent of this amount. France had the highest consumption rate at 2,990 ML or around 12.6 percent 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 3: Major Wine Consuming Nations, 2009

No	Country	Estimated Wine Consumption Million Litres (ML)	Percentage of Total Global (%)
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 of Major Countries	**16,446**	**69.5**
	Total Global Consumption	**23,655**	**100.0**

** Refers to 2008*

Source: Secondary Research conducted by Frost & Sullivan

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.

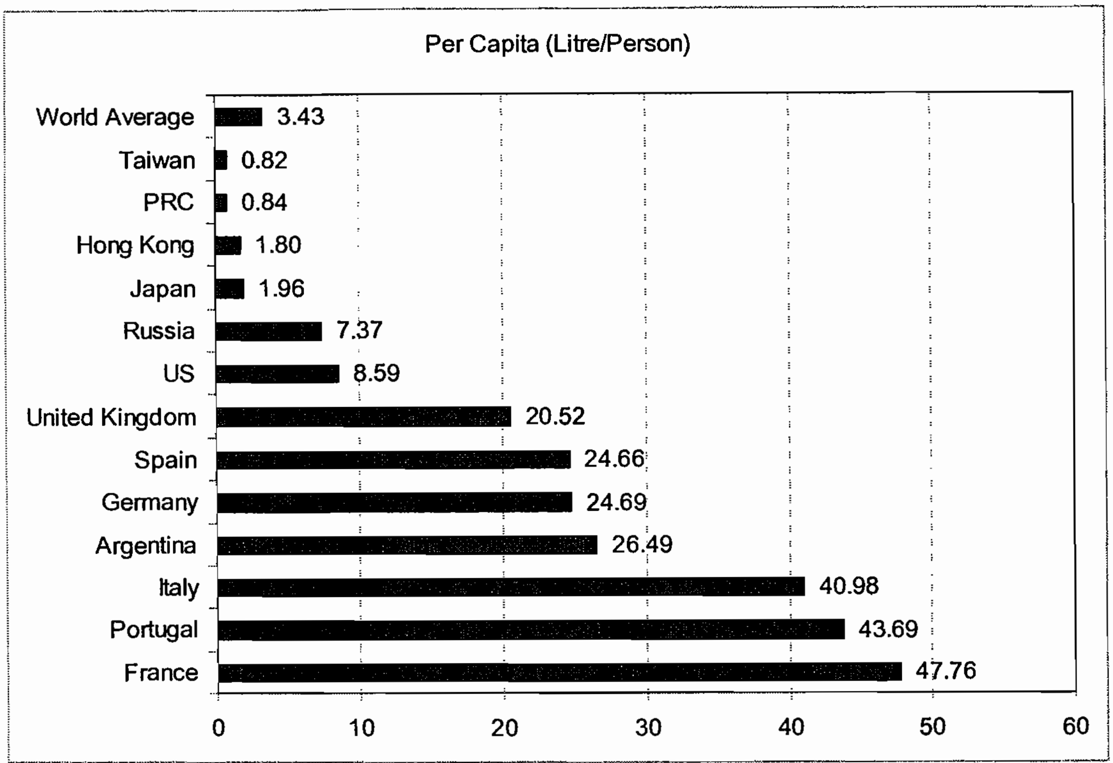
Figure 4: Per Capita Wine Consumption of Selected Countries, 2009

Country	Estimated Per Capita Consumption (Litre/Person)
France	47.76
Portugal	43.69
Italy	40.98
Argentina	26.49*
Germany	24.69
Spain	24.66
United Kingdom	20.52
USA	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

Figure 5: 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 the 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.

Overview of the Grape Wine Industry in PRC

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 6: 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

Year	Grape Planting Area (Hectares)
2006	418,700
2007	438,400
2008	451,200

Source: Secondary Research conducted by Frost & Sullivan

Specific to the wine industry, the total coverage area of vineyards was estimated at 53,000 hectares in 2007. This figure grew by 18.2 percent 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 percent over the previous year. PRC's main producing regions for grape wine include 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 percent 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 percent of PRC's total wine output.

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 km^2 and 86 km coastline. The top five 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 mainly due to its optimal weather and soil conditions. This has 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. Ouhua's vineyards are located in the Yantai-Penglai area, thus it benefits from these conditions, which also sets it apart from some of its competitors.

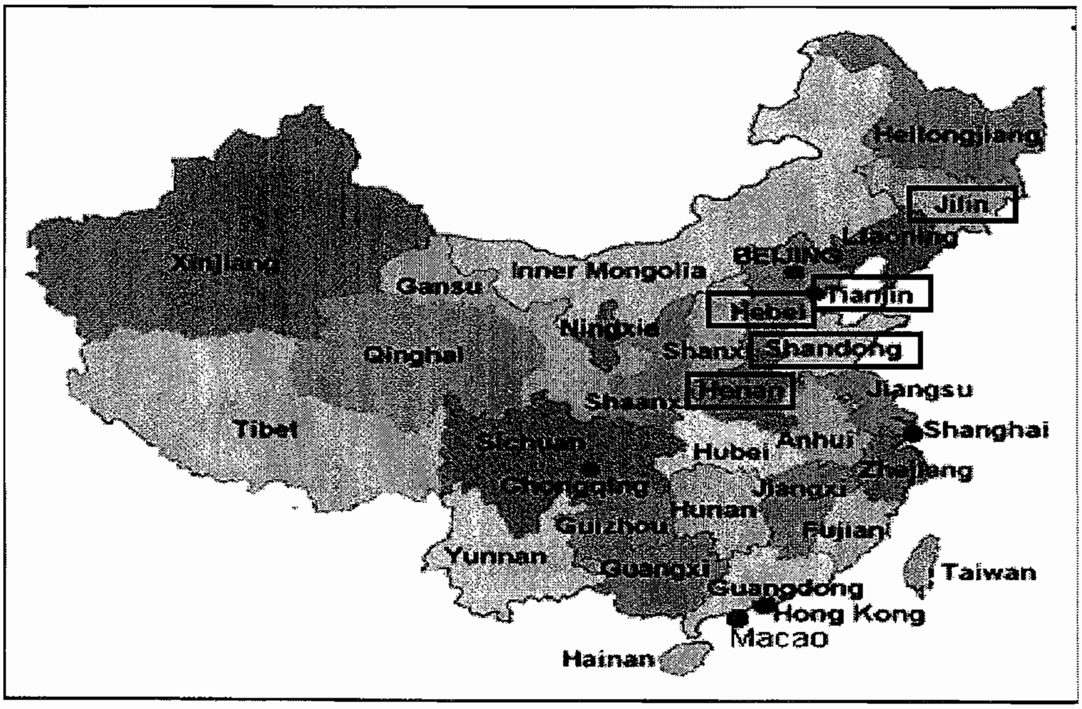
Over the years, there have been an increasing number of joint ventures between western and Chinese wine companies. These foreign wine-makers are aware of the location advantage and suitability for grape growing in regions like Yantai-Penglai. For example, the French multinational company Pernod Ricard 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.

Climate and Soil Conditions

A region's 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 the 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: Top Five Producing Provinces in PRC, 2008



Note: Top 5 wine producing provinces are highlighted in blue, and include Shandong, Jilin, Hebei, Henan and Tianjin

Source: Secondary Research conducted by Frost & Sullivan

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

Figure 8: Production Volume in the Top Five Wine Producing Regions (PRC), 2008*

Region/Province	Estimated Production Volume Million Litres (ML)	Percentage
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**	100.1	14.40
Total (PRC)	698.3	100

Note:

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

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

Source: Secondary Research conducted by Frost & Sullivan

According to China 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 RMB12.9 billion, representing 63.8 percent 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 percent 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 percent of total revenues. Henan province had 18 enterprises with sales of around RMB930.1 million or 4.6 percent of total revenues. Tianjin, with five enterprises produced estimated revenues of RMB1.2 billion or 5.9 percent of total revenues.

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

Figure 9: Number of Enterprises and Sales Revenues in the Top Five Wine Producing Regions (PRC), 2008*

Area	Number of Enterprises	Estimated Sales Revenue (RMB Billion)	Percentage
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**	48	2.13	10.53
Total (PRC)	165	20.22	100.00

Note:

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

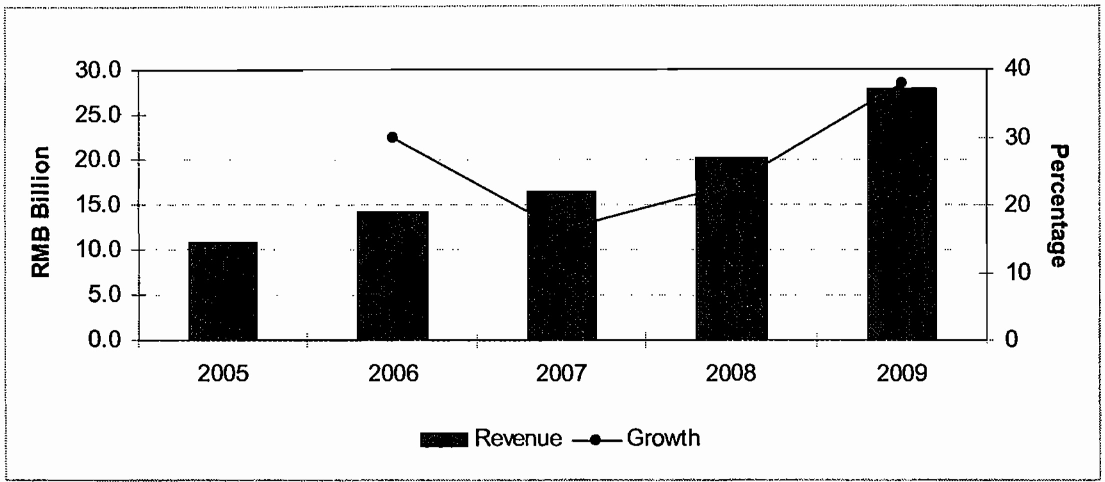
***Others include Xinjiang, Gansu and Yunnan, amongst others.*

Source: Secondary Research conducted by Frost & Sullivan

Market Size and Growth Forecasts

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 percent.

Figure 10: Market Size for the Wine Market (PRC), 2005-2009



Year	Sales Volume (Million Litres)	Sales Volume Growth (percent)	Revenues (RMB Billion)	Revenue Growth Rate (percent)
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

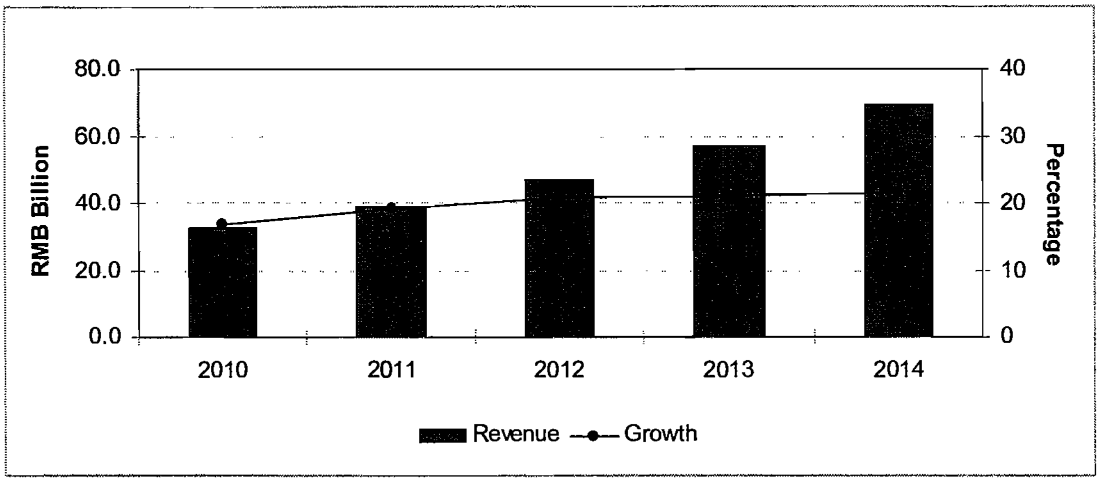
CAGR for Sales Volume (2005- 2009): 23.5 percent
CAGR for Revenues (2005- 2009): 26.5 percent

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 percent 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 rate during the remainder of the forecast period up to 2014. Sales volume is estimated to exceed 2,000 ML in 2014.

Figure 11: Market Forecast for the Wine Market (PRC), 2010-2014



Year	Sales Volume (Million Litres)	Sales Volume Growth (percent)	Revenues (RMB Billion)	Revenue Growth Rate (percent)
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 percent

CAGR for Revenues (2010- 2014): 20.7 percent

Source: Secondary Research conducted by Frost & Sullivan

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. 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.

Figure 12: Comparison in Consumption of Alcoholic Beverages in PRC (2001-2008)

Consumption (ML)	2001	2002	2003	2004	2005	2006	2007	2008	CAGR (2001-2008)
Beer	22,209.3	23,937.0	25,304.8	28,989.6	31,768.5	34,995.5	39,130.0	40,816.5	9.08%
PRC Spirit*	4,195.2	3,222.5	3,273.1	3,195.4	3,464.0	4,083.8	4,886.5	5,663.4	4.38%
Grape Wine	282.4	317.6	382.6	431.9	483.9	605.6	802.8	857.5	17.20%
Yellow Wine**	n/a	n/a	n/a	n/a	n/a	2,169.7	2,270.0	2,520.7	7.80%

*Note: *Refers to Chinese white liquor (Baijiu")*
***Refers to yellow wine brewed from rice, millet, wheat, etc ("Huangjiu"); CAGR is for 2006-2008*

Source: Secondary Research conducted by Frost & Sullivan

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).

Growth Trends

Grape wine recorded the highest CAGR at 17.20 percent from 2001 to 2008, significantly outstripping beer (9.08 percent), PRC Spirit (4.38 percent) and yellow wine (7.80 percent 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.

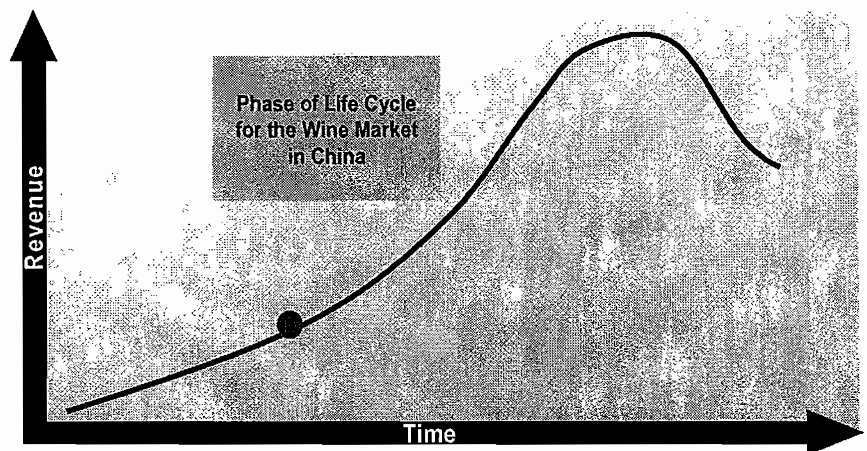
Average per capita wine consumption in the world was 3.43 litres in 2009. Comparatively, the rate of wine consumption among the Chinese in the PRC remains highly under-penetrated at 0.84 litres per capita in 2009. Supported by its large population size that is growing in affluence (as a result of rapid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

Industry Players and Competition

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 13: 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

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 China Alcoholic Drinks Industry Association, the total number of active producers in 2008 stood at around 165 players. From this, the majority were local companies, with joint venture or foreign-owned companies in PRC estimated at around 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 14: Wine Market: Players (PRC), 2009

Tier	Range of Revenues	Estimated Number of Players	Cumulative Shares (percent)
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 players in the mid to top tier category, with cumulative market share of 44.7 percent. Among these players, four 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 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, China Ouhua Winery Holdings Limited ("Ouhua"), 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 percent fell in this group. None of the low tier companies had individual market shares greater than 0.5 percent.

Key Industry Players

The top ten industry players in the wine market in PRC have an accumulated share of approximately 45 percent. These players are either listed entities, subsidiaries of listed companies, or associated through joint ventures/alliances with listed companies, save for Yantai Weilong Grape Wine Co. Ltd. and China Ouhua Winery Holdings Limited.

Figure 15: Key Industry Players of the Wine Market in PRC, 2009

No	Key Industry Players	Ultra High-End (>RMB800)*	High-End (RMB300-800)*	Medium-End (RMB50-RMB300)*	Low-End (RMB10-50)*
1	Changyu Pioneer Wine Company Limited	X	X	X	X
2	COFCO Wines & Spirits Co Ltd	X	X	X	X
3	Sino-French Joint-Venture Dynasty Winery Ltd.	X	X	X	X
4	Yantai Weilong Grape Wine Co.,Ltd.	X	X	X	X
5	Qingdao Huadong Winery		X	X	X
6	China Tontine Wines Group Limited			X	X
7	China Ouhua Winery Holdings Limited	X	X	X	
8	Suntime International	X	X	X	

	Wine Industry Co., Ltd.				
9	Gansu Mogao Industrial Development Co Ltd	X	X	X	X
10	Tonhwa Winery Ltd.	X	X	X	X

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

Source: Secondary Research conducted by Frost & Sullivan

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 USA, 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 percent in 2008, outranking its two major competitors Dynasty and China Great Wall.

COFCO Wines & Spirits Co Ltd ("COFCO")

COFCO Wines & Spirits Co. Ltd. is an integrated operator and provider of various types of liquor. The company's product best-known brand – 'Great Wall' was the official wine of the Beijing 2008 Olympic Games.

COFCO produces grape wine and rice wine, among others. Three of their wine production enterprises - 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 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 wine brands in PRC in terms of annual sales volume and market share for many years consecutively.

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

Established in 1980, Sino-French Joint-Venture Dynasty Winery Ltd 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 U.S.A., Canada, U.K, 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.

Yantai Weilong Grape Wine Co. Ltd. ("Yantai Weilong")

Yantai Weilong has a wine production capacity of approximately 60,000 tons per year. It produces over 60 kinds of alcoholic beverages that are made up of 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.

Qingdao Huadong Winery Co. Ltd. ("Qingdao Huadong")

Qingdao Huadong Winery Co. Ltd. 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 United States, 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.

China Tontine Wines Group Limited

The Group is one of the leading grape 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 3 municipal cities in the PRC through its sales network and distribution channels of 71 distributors.

China Ouhua Winery Holdings Limited

Ouhua's 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.

Ouhua is located in South Yantai city in Wolong Foreign Investment and Development Area. It currently operates two vineyards, namely the Haitou Vineyard and Huiwen Vineyard. Ouhua produces red and white wine which is distributed for sale under their flagship FAZENDA OHUA wine label. In addition, they also offer offer a variety of International Wines which are produced from wine materials of French, Australian, Spanish, Chilean and German origin.

After more than ten years in the business, it has built a strong brand name in several regions in PRC such as Fujian and Jiangsu provinces. Ouhua 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 Ouhua's distribution network and market reach. Ouhua was the first player in the wine industry in PRC to establish specialty wine stores as a mode of distribution on a large scale.

Suntime International Wine Industry Co., Ltd. ("Suntime")

Suntime International Wine Co. Ltd. was established in 1998. It has wine-making equipment imported from France, Italy, the United States, 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.

Gansu Mogao Industrial Development Co Ltd ("Mogao")

Gansu Mogao Industrial Development Co. Ltd. was founded in 1999. Its main products include wine, beer, barley malt, liquorice products and alfalfa grass products. Mogao currently owns two grape planting bases and has a capacity 25,000 tons of a variety of wine annually. In September 2008 at the Yantai International Wine Competition, Mogao Wine was awarded 'China's Top Ten Most Valuable' alcoholic beverage brand.

Tonhwa Winery Ltd. ("Tonhwa")

Tonghua Wine Co. Ltd. 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 Winery received "PRC Famous Brand" and "Original Protection Mark" granted by the central Chinese Government. Tonhwa Winery received the ISO9001 certification in the same year, and in 2003, it achieved the ISO14001 certificate. In 2004, Tonhwa Winery received "PRC Well-Known Brand" from the State Trademark Bureau.

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 percent market share. This was followed by COFCO Wines & Spirits Co Ltd with approximately 12.2 percent 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 percent, respectively.

Another five companies in the mid to top tier category include Huadong Winery, China Tontine Wines Group Limited, China Ouhua Winery Holdings Limited ("Ouhua"), Suntime International Wine Industry Co Ltd and Gansu Mogao Industrial Development Co Ltd.

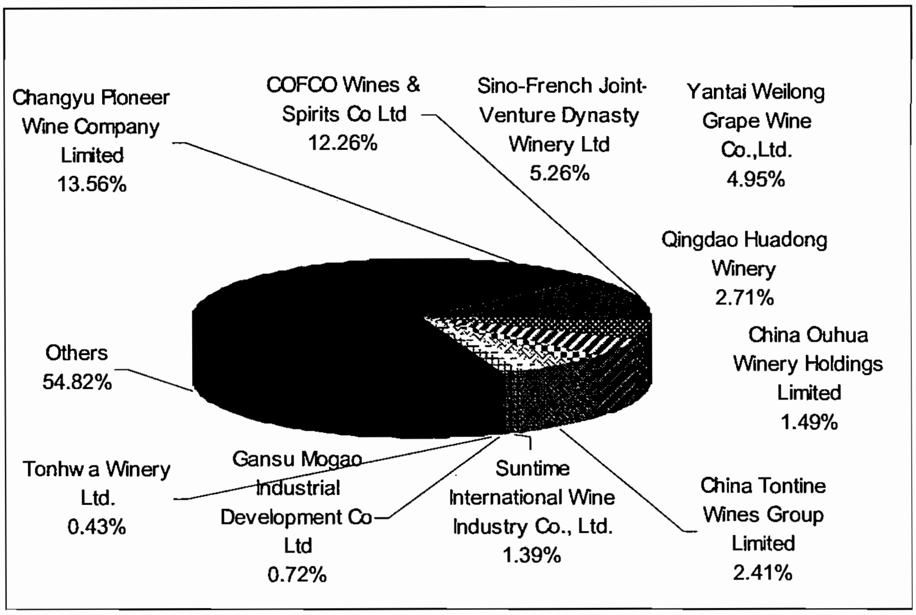
Specifically, Ouhua had an estimated market share of 1.49 percent. Following increased marketing and promotional efforts of its wine, Ouhua's sales have grown over the years, increasing its market share from 0.67 percent in 2006 and 1.09 percent in 2007 respectively, to its current 1.49 percent in 2008.

Figure 16: Market Share in the Wine Industry (PRC), 2008

No	Key Industry Players	Brands	Market Share (per cent)
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	Ouhua	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 17: Estimated Market Share in the Wine Industry (PRC), 2008



Note: Others include approximately 156 small wine players in China

Source: Secondary Research conducted by Frost & Sullivan

Industry Dynamics

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 Ouhua have their own vineyards to ensure consistent supply and better quality control of the grapes used to make wine.

Industry Risks and Challenges

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 Ouhua's vineyards in Yantai (in Shandong Province) are not located in earthquake and flood prone regions, thus mitigating this risk.

Growing Presence of Imported Wines

As PRC continues to open its economy in line with World Trade Organisation (WTO) commitments, lower tariffs on imported wine are increasing the availability of popular foreign brands in the Chinese market. According to China Wine News, imported wine doubled in 2008, especially within middle and high-end grape 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 'Renminbi' 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 Ouhua 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 constitutes only between 7 percent and 11 percent (over the last three years) of the total wine market size in PRC, thus mitigating this risk to a large extent.

Barriers to Entry

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 Ouhua are well-known amongst Chinese consumers, as these companies have invested heavily in advertising and promotional (A&P) activities. As these established brands continue to enhance their image and position in the market, they form a barrier to entry for potential entrants to the market.

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 grape wine market such as Ouhua have set-up specialty stores as part of their distribution channels. Such specialty stores are a unique marketing tool as they are able to prominently display the company's brand and image. As high capital costs are required for the above, they form a barrier to entry to potential entrants to the market.

Relevant Laws and Regulations/Government Policies and Incentives

National Grape Wine Standard

To control the quality of grape 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 180g/litre. Should the sugar content be less than 180g/litre, the grapes are not allowed to be used in wine-making.
- Vintage wine content: Vintage wine refers to wine made and labelled 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 percent 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.

Wine markers 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 in April 14 2009 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, specifies 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 grape wine production is treatment of wastewater. Wastewater discharged from wine production contains a lot of organic and inorganic waste, due to the fermentation process. Wine makers 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).

Demand and Supply Conditions

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 18: 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

Growing affluence and rising purchasing power

According to the National Bureau of Statistics of China, 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 seek avenues for entertainment and relaxation. In turn, these activities increase the demand for alcoholic beverages including grape wine.

During the period of 2000 to 2008, the per capita annual disposal income of urban households increased from approximately RMB6,280 (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 grape wine in the Chinese markets.

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.

Leading wine player Changyu reportedly spent approximately 11 percent 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 percent and 8.6 percent 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.

Wine perceived as relatively healthier than hard liquor

Wine derives certain advantages from being perceived as a healthy form of alcoholic drink compared to other beverages. Market players are embarking on an 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

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[1] *Research study conducted by French National Institute for Health and Medical Research (INSERM)*

perception that grape 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.

Increasing distribution channels and retail options

Of late, market players find that specialized 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 wines 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 speciality 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.

Market Restraints

The restraints and its impact for the wine market in PRC have been ranked in order of importance from 2008 to 2014.

Figure 19: 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

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.

Supply Dependencies

[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.

Steady supply of raw materials for production

Wine grapes (grapes) are the main raw material used to produce grape 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 Ouhua which have their own vineyards have better control over the supply and quality of grapes for manufacturing, which provides it a competitive advantage over other players that do not have their own vineyards and need to source grapes externally.

Dependency on labour

The growth, cultivation and harvesting of grapes, which is the key raw material necessary to make grape wine, requires a steady supply of labour to ensure its consistent supply. The Yantai province where Ouhua has its 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, where there is a steady supply of labour.

Reliance and Vulnerability to Imports

There is no immediate reliance on imports, with approximately 90% of wine consumed domestically produced in PRC. 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 China Wine News, imported wine doubled in 2008, especially within middle and high-end grape wine. Still, local players dominate the overall Chinese grape 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.

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

Grape 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 grape wine in the Chinese market, as grape wine is seen as a specialty drink preferred by mid to high-end consumers.

Future Outlook

Ouhua: Competitive Advantages and Strengths

Wine can only be grown and cultivated in certain regions, where both the climate and soil are conducive. Ouhua 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 percent of PRC's wine output. Ouhua is located in Yantai-Penglai (within Shandong Province) which is the basin for the Chinese grape wine industry, producing around 224.4 ML or around 80 percent of Shandong's wine production in 2008.

Ouhua was the first company to introduce speciality stores on a large scale to promote and market its wine, including its flagship label FAZENDA OHUA as well as other international brands. Such specialty stores are a unique marketing tool and distribution channel as they are able to prominently display the 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 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, Ouhua has pioneered a move within the industry and should reap any first mover advantage it brings.

Prospects of Ouhua in the Industry

The wine industry in PRC is a high growth industry, registering CAGR of over 20 percent over the last three years, and forecast to grow at similar rates during the period 2009 to 2014. Demand and consumption for grape wine in PRC is still in the early growth stages with per capita wine consumption estimated at only 0.64 litres. Comparatively, this represents only about 17 percent of the world average of 3.7 litres, and a mere 1.2 percent of the 54.28 litres per capita consumed in a developed market like France. As such, there is immense potential for growth in PRC as income levels rise and consumer preferences become more sophisticated. Most of the developed wine markets in the world took decades to mature and as such, this indicates that the Chinese wine market and industry has significant potential for long term growth.

In light of this, the prospects and outlook for the Company is highly promising. The Company has the potential to reap significant benefits from a young, developing market that is growing at a rapid pace. In addition, the global wine market is also significantly large and buoyant, offering the Company export potential should it choose to pursue that opportunity. With the continued growth in the standards of living in PRC, caused by strong consumer spending, the Company is expected to maintain its high growth performance over the forecast period, and to remain commercially sustainable over the long term.

Industry Positioning of Ouhua

Considering Ouhua's relatively recent entry into the Chinese wine market, it has gained considerable traction in the market and has established itself as a reputable competitor. The company has increased its market share from 0.67 percent in 2006 to 1.49 percent in 2008, improving one place eighth to seventh (by sales revenue) in that time.

The 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 Tonhwa) Ouhua 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, Ouhua's margins have been above industry average in the past two FYE 31 December 2008.

Based on this assessment, Frost & Sullivan believes that the 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 its growth and capture a greater share of the market. The rapid development in the market and low per capita consumption, coupled with the Company's competitive advantages, provides Ouhua with significant opportunities for growth and expansion.

15. DIRECTORS' REPORT

欧华庄园
FAZENDA OHUA

CHINA OUHUA WINERY HOLDINGS LIMITED

(Company No. 200900709K)
1 Robinson Road, #17-00 AIA Tower, Singapore 048542

Tel (65) 6535 1944
Fax (65) 6535 8577

4 OCT 2010

The Shareholders of
CHINA OUHUA WINERY HOLDINGS LIMITED

Dear Sir/ Madam,

On behalf of the Board of Directors of China Ouhua Winery Holdings Limited ("Ouhua" or "the Company"), I wish to report that after due enquiry in relation to the interval between 30 June 2010, being the date to which the last audited financial statements of the Company and its subsidiary ("Group") had been made up, and up to the date of this letter, being a date not earlier than fourteen (14) days before the issuance of this Prospectus, that:-

(i) the business of Ouhua Group has, in the opinion of the Board of Directors of Ouhua, been satisfactorily maintained;

(ii) in the opinion of the Board of Directors of Ouhua, no circumstances have arisen since the last audited financial statements of Ouhua Group which have adversely affected the trading or the value of the assets of Ouhua Group;

(iii) the current assets of Ouhua Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by Ouhua Group;

(v) there have been, since the last audited financial statements of Ouhua Group, no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Board of Directors of Ouhua are aware of; and

(vi) save as disclosed in this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of Ouhua Group since the last audited financial statements of Ouhua Group.

Yours faithfully
For and on behalf of the Board of Directors of
CHINA OUHUA WINERY HOLDINGS LIMITED

Wang Chao
Executive Chairman and Chief Executive Officer

Registered Branch Office in Malaysia
Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

16. ADDITIONAL INFORMATION

16.1 Share Capital

16.1.1 No shares will be allotted on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

16.1.2 We have no founder, management or deferred shares in our Group. As at the date of this Prospectus, we only have one class of shares in our Company, namely ordinary shares all of which rank equally with one another.

16.1.3 Save as disclosed in Section 5.3 of this Prospectus, none of our Group's capital is under option or agreed conditionally or unconditionally to be put under option.

16.1.4 No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group.

16.1.5 There is no scheme involving our Directors and employees in the capital of our Group.

16.1.6 Save as disclosed in this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as partly or fully paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.

16.1.7 As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities.

16.2 Articles of Association

The following provisions are reproduced from our Articles which comply with the Listing Requirements and the Rules:-

16.2.1 Transfer of Shares

The provisions in the Articles in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:-

<u>*Article 40*</u>

Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange, Rules of the Depository and Central Depository Act). All transfers of shares which have been deposited with the Depository shall be effected by way of book-entry in the Securities Account of a Depositor in accordance with the Rules of the Depository and notwithstanding Sections 103 and 104 of the Malaysian Companies Act, but subject to subsection 107C(2) of the Malaysian Companies Act and any exemption that may be made from compliance with subsection 107C(1) of the Malaysian Companies Act, the Company shall be precluded from registering and effecting any transfer of such securities. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof.

Article 41

Subject to the Malaysian Companies Act, the Central Depositories Act and the Rules of the Depository, the instrument of transfer of Securities lodged with the Company shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

Article 42

Shares of different classes shall not be comprised in the same instrument of transfer.

Article 43

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 44

All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

Article 45

The Directors may decline to accept any instrument of transfer unless:-

(a) *all or any part of the stamp duty (if any) payable on each share transfer is paid to the Company; and*

(b) *such fee not exceeding two Singapore Dollars as the Directors may from time to time determine or such other sum as may from time to time be prescribed by the Exchange is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.*

Article 45A

Save in the case of transfers of Deposited Securities made pursuant to or in accordance with the instructions of the Company. neither the Company nor the Directors nor any of its officers shall incur any liability for (i) registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally in-operative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the shares transferred, or otherwise in defective manner; or (ii) any transfer of Deposited Securities effected by the Depository. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognized as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Article 46

Save in respect of any Deposited Securities, the Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Register in respect of shares transferred or to be transferred to such person:-

(a) which are not fully paid up; or

(b) on which the Company has a lien.

Article 46A

Further to Article 46 and subject to the provisions of the Statutes, the Central Depository Act and the Rules of the Depository, the Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depository Act and the Rules of the Depository.

Article 47

If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.

Article 48

Subject to the Rules of the Depository and the Listing Requirements, the Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give at least ten Market Days' prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made. The Company shall request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors.

Article 6.2

Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within eight Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Record of Depositors, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.

16.2.2 Remuneration of our Directors

The provisions in the Articles dealing with the remuneration of our Directors are as follows:-

Article 102.1

The fees of the Directors shall be such fixed sum as shall from time to time be determined by the Company in a General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as the Directors may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:-

(a) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors may not include a commission on or percentage of turnover;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a General Meeting where notice of the proposed increase has been given in the notice convening the meeting;

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 102.2

The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

Article 102.3

No payment shall be made to any Directors by way of compensation for loss of office or as consideration for or in consideration with his retirement from office unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the Members and the proposal has been approved by the Company in General Meeting.

Article 103

If any Director, being willing and having been called upon to do so, shall hold an executive office in the Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, and also such remuneration as the Directors may think fit, either as a fixed sum or as provided in Article 102.1 (but not by way of commission on or percentage of turnover) and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of the Company.

16.2.3 Voting and Borrowing Powers of our Directors, Including Voting Powers in Relation to Proposals, Arrangements or Contracts in Which They Are Interested

The provisions in the Articles dealing with the voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested are as follows:-

Article 62.1

The Directors may, from time to time, exercise all the powers of the Company to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company, its wholly owned subsidiaries or any of its associated or related corporations.

Article 62.2

Further to Article 62.1, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as the security for any debt, liability or obligation of the Company or of any third party PROVIDED ALWAYS that nothing contained in these Articles shall authorize the Directors to borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 63

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and, in particular, by the issue of debentures or debenture stock of the Company, perpetual or otherwise, charged upon or by mortgage charge or lien of and on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being, or by making, accepting, endorsing or executing any cheque, promissory note or bill of exchange.

Article 64

Every debenture or other instrument for securing the payment of money may be made assignable and free from any equity between the Company and the person to whom the same may be issued. Any debenture or debenture-stock, bond or other instrument may be issued with any special privilege as to redemption, surrender, drawing, allotment of shares, attending and voting at General Meetings of the Company, appointment of Directors and otherwise.

Article 105.2

A Director shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he has directly or indirectly an interest.

Article 115A.2

The resolution of the Company or its holding company at the General Meeting of the Company or its holding company to consider the arrangement or transaction shall be subject to the director, substantial shareholder or person connected with such director or substantial shareholder, as the case may be, abstaining from voting on the resolution whether or not to approve the arrangement or transaction.

Article 115A.3

Where an arrangement or transaction is carried into effect by the Company in contravention of Articles 115A.1 and 115A.2, that Director, substantial shareholder or person connected with such director or substantial shareholder and any Director who knowingly authorised the arrangement or transaction shall, in addition to any other liability, be liable:-

(a) to account to the Company for any gain which he had made directly or indirectly by the arrangement or transaction; and

(b) jointly and severally with any person liable under Article 115A.4, to indemnify the Company for any loss or damage resulting from the arrangement or transaction.

Article 120.1

The Directors may meet together at any place for the despatch of business, adjourn, and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be decided by a majority of votes.

16.2.4 Changes in Capital Or Variation of Class Rights

The provisions in the Articles as to changes in the share capital and variation of class rights, which are as stringent as those provided in the Act, are as follows:-

16. ADDITIONAL INFORMATION (CONT'D)

Article 9

Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

Article 16

The Company may, subject to and in accordance with the Act, the Malaysian Companies Act, the Listing Requirements and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or otherwise acquire ordinary shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit. All shares purchased by the Company shall, unless held in treasury shares in accordance with the Act, be deemed cancelled immediately on purchase or acquisition by the Company. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act and the Malaysian Companies Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act and the Malaysian Companies Act. For so long as the shares of the Company are listed on the Exchange, the Company shall make such announcements to the Exchange of any purchase or acquisition by the Company of its own shares as may be required by the Listing Requirements.

Article 56

The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase as the Company by the resolution authorising such increase shall direct, and if no direction be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.

Article 60.1

The Company may by Ordinary Resolution:-

(a) consolidate and divide all or any its share capital into shares of larger amounts than its existing shares; or

(b) cancel the number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or

(c) by subdivision of its shares or any of them into shares of smaller amount than is fixed by the memorandum and the Statutes, so, however, then in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or

(d) subject to the Statutes, convert any class of shares into any other class of shares.

Article 60.2

The Company may by Special Resolution reduce its share capital in any manner and with and subject to any requirement authorised and consent required by law.

Article 61

Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or resolution to the Registrar of Companies.

16.2.5 Transmission of Shares from Foreign Register

Article 51A

(1) Where:-

(a) the securities of the Company are listed on another stock exchange; and

(b) such company is exempted from compliance with Section 14 of the Central Depository Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

16.3 Directors, Substantial Shareholders, Promoters and Key management and Technical personnel

16.3.1 The names, addresses and occupations of our Directors are set out in Section 1 of this Prospectus.

16.3.2 We do not require any Directors to hold any qualification shares unless we had fixed it as a requirement in the general meeting.

16.3.3 Our Company does not have any existing or proposed service agreements (other than employment contracts) with our Directors or Key management and Technical personnel

16.3.4 None of our Directors, Promoter or key management and technical personnel is or had been involved in the following events (whether in or outside Malaysia):-

i. a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel; or

ii. disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation; or

iii. charged and/ or convicted in a criminal proceeding or is named subject of a pending criminal proceeding; or

iv. any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

v. the subject of an order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

16.3.5 Save as disclosed in Section 8 of this Prospectus, none of our Directors have been paid or intended to be paid remuneration and benefits within the two (2) years preceding the date of this Prospectus, except for remuneration received in the course of employment and directors' fees.

16.3.6 Save as disclosed in Section 8 of this Prospectus, there has been no amounts or benefits that have been or are intended to be paid or given to our Promoter, Directors and/ or substantial shareholders within the two (2) years preceding the date of this Prospectus.

16.3.7 The details of our Directors' and substantial shareholders' direct and indirect interests in our Shares before and after the IPO are set forth in Section 8.1.1 and Section 8.2.1 of this Prospectus.

16.3.8 Save as disclosed in Section 10 of this Prospectus, none of our Directors and substantial shareholders have any interest, direct or indirect, in any contract, agreement or arrangement subsisting as at the date of this Prospectus which is significant in relation to our business taken as a whole.

16.3.9 Save for the risk factors highlighted in Section 4 of this Prospectus, our Directors and substantial shareholders are not aware of any material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

16.3.10 Save as disclosed in Section 10.4 of this Prospectus, none of our Directors or substantial shareholders have any interest, direct or indirect, directorships and/ or shareholdings in other businesses and corporations carrying on a similar trade as that of our Company which would give rise to a situation of conflict of interest.

16.3.11 Save for our Promoter and substantial shareholders as disclosed in Section 8.1 of this Prospectus, there are no other persons, so far as known to us, who directly or indirectly, jointly or severally, exercise control over our Company.

16.4 General

16.4.1 Save as disclosed in Section 6 of this Prospectus, neither we nor our subsidiaries have acquired or proposed to acquire any property and save as disclosed in Sections 3.11 and 3.13 of this Prospectus, no preliminary expenses are to be repaid by us in contemplation of the Public Issue.

16.4.2 The nature of our business and the names of all corporations which are deemed to be related to us by virtue of Section 6 of the Act are disclosed in Section 5 of this Prospectus.

16.4.3 Apart from the listing sought on the Main Market of Bursa Securities, our Company is not listed on any stock exchange.

16.4.4 The time of the opening of the Public Issue is set out in Section 17 of this Prospectus.

16.4.5 The amount payable in full on application is RM0.60 per IPO Share.

16.4.6 The name and address of the auditors are set out in Section 1 of this Prospectus.

16.4.7 The manner in which copies of this Prospectus together with the official Application Forms and envelopes may be obtained is set forth in Section 17 of this Prospectus.

16.5 Expenses and Commission

16.5.1 Save as disclosed in Section 3.13 of this prospectus, there have been no commissions, discounts, brokerages or other special terms granted to or paid by us within the two (2) years preceding the date of this Prospectus in connection with the issue or sale of any Shares in or debentures of our Group for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription for, any shares in or debentures of our Group, and none of our Directors or Promoters or experts are entitled to receive any such payment.

16.5.2 We will fully bear all expenses incidental to the listing of and quotation for our entire issued and paid-up share capital on the Main Market of Bursa Securities amounting to approximately RM10,338,900 as set out in Section 3.11 of this Prospectus.

16.6 Material Litigation

As at the LPD, neither our Company nor our subsidiary are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board are not aware of any proceedings pending or threatened against our Group or of any fact likely to give rise to any proceedings, which might materially and adversely affect our Group's financial position or business.

16.7 Material Contracts

Save as disclosed below, as at the date of this Prospectus, neither our Company not our subsidiary has entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Prospectus:-

16.7.1 Ouhua PRC

i. A Trademark Transfer Agreement dated 16 November 2009 between YO Winery and Ouhua PRC for the transfer of three (3) registered trademarks and all rights in one (1) trademark application in the jurisdiction of PRC by YO Winery to Ouhua PRC. No consideration is payable by Ouhua PRC to YO Winery for the said transfers; and

ii. A Trademark Application Right Transfer Agreement dated 16 November 2009 between Li Rong and Ouhua PRC for the transfer of all rights in ten (10) trademark applications filed in the jurisdiction of PRC by Li Rong to Ouhua PRC for an aggregate consideration sum of RMB0.1 million.

16.7.2 Ouhua

i. An Equity Transfer Agreement entered into between Ouhua and Hualian dated 13 March 2009 in relation to the acquisition by Ouhua of 25% equity interest in Ouhua PRC from Hualian for a consideration sum of RMB1,022,700;

ii. A Capital Increase Agreement entered into between Ouhua and YO Winery dated 16 March 2009 wherein Ouhua agreed to inject USD8.4 million in the form of cash into Ouhua PRC thereby resulting in Ouhua and YO Winery holding 95% and 5% equity interest respectively in the registered capital of Ouhua PRC;

iii. A Deed of Release and Discharge dated 20 November 2009 between Ouhua and Wang Chao in relation to the release of the obligation by Ouhua to pay Wang Chao the consideration ("Consideration") due to Hualian for the acquisition of 25% equity interest in Ouhua PRC by Ouhua. The benefit of Consideration had been previously assigned by Hualian to Wang Chao;

iv. A Shareholders Agreement dated 4 May 2009 entered into between Ouhua, Wang Chao, Hua Xin and Soleil to govern the relationship of Ouhua's shareholders *inter se*;

v. A Note Purchase Agreement dated 23 September 2009 entered into between Ouhua and Ouhua PRC, Hua Xin, and OSKTV, Yap Shing@Yap Sue Kim, Yap Song Yung, Chia Kee Siong, OSK Nominees (collectively the "Pre-IPO Investors"), for the issuance of an aggregate value of SGD5.5 million convertible notes by Ouhua to the Pre-IPO Investors;

vi. A Call Option Agreement entered into between Ouhua, YO Winery and Ouhua PRC dated 27 November 2009 wherein YO Winery had granted to Ouhua the right to require YO Winery to sell to Ouhua all of YO Winery's five percentum (5%) equity interests in Ouhua PRC for a consideration sum of SGD1. The option is valid for a period of two (2) years commencing from the date of the Listing;

vii. A Deed of Undertaking dated 4 December 2009 whereby YO Winery has granted to Ouhua an undertaking amongst others to, assign to Ouhua such part of YO Winery's entitlements (to be determined in accordance with the Deed of Undertaking), in the event of any distribution of dividends by Ouhua PRC or distribution upon the winding up of Ouhua PRC prior to Ouhua PRC's registered capital being fully contributed.

viii. A Loan Agreement entered into between Ouhua (the "Borrower") and Soleil (the "Lender") dated 22 September 2010 whereby the parties agreed that the loan sum of USD1.7 million advanced by the Lender to the Borrower for purposes of capital injection into Ouhua PRC would be free of interest. The parties further agreed that the above loan would be repayable by the Borrower on a date to be mutually agreed in writing provided that such date shall be no earlier than one (1) year after the date of Listing;

ix. A Loan Agreement entered into between Ouhua (the "Borrower") and Hua Xin (the "Lender") dated 22 September 2010 whereby the parties agreed that the loan sum of USD3.0 million advanced by the Lender to the Borrower for purposes of capital injection into Ouhua PRC would be free of interest. The parties further agreed that the above loan would be repayable by the Borrower on a date to be mutually agreed in writing provided that such date shall be no earlier than one (1) year after the date of Listing;

x. A Letter of Appointment entered into between Ouhua and OSK dated 28 September 2010 wherein Ouhua had appointed OSK as the Placement Agent for the placement of 124,550,000 IPO Shares under the IPO, for the placement fee at the rates set out in Section 3.13.3 of this Prospectus;

xi. A Letter of Appointment entered into between Ouhua and Kim Eng Corporate Finance Pte. Ltd. dated 28 September 2010 wherein Ouhua had appointed Kim Eng Corporate Finance Pte. Ltd. as the International Placement Agent for the placement of 124,550,000 IPO Shares under the IPO, for the placement fee at the rates set out in Section 3.13.3 of this Prospectus; and

xii. An Underwriting Agreement entered into between OSK and Ouhua dated 28 September 2010 for the underwriting of 8,000,000 IPO Shares under the IPO, for an underwriting commission at the rate set out in Section 3.13.1 of this Prospectus.

16.8 Material Commitment And Contingent Liabilities

As at the LPD, our Directors are not aware of any material capital commitment contracted or known to be contracted by us which, upon becoming enforceable, may have a material impact on our financial position.

Further, our Directors are not aware of any contingent liabilities incurred by us that, upon becoming enforceable, may have a material impact on our financial position, save as disclosed under Section 11.4.9 of this Prospectus.

16.9 Public Take-Overs

None of the following has occurred since our incorporation on 12 January 2009 and up to the LPD:-

16.9.1 Public take-over offers by third parties in respect of our Company's Shares; and

16.9.2 Public take-over offers by our Company in respect of other companies' shares.

16.10 Consents

16.10.1 The written consents of our Adviser, Underwriter and Placement Agent, International Financial Adviser and International Placement Agent, Legal Advisor for the IPO, Legal Advisor for the Singapore law, Legal Advisor for the PRC law, Principal Bankers, Registrar and Issuing House, Company Secretary and Company Agent in Malaysia to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus, and have not subsequently been withdrawn;

16.10.2 The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, the Audited Financial Statement, Accountants' Report, and letters relating to the Proforma Consolidated Financial Information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn; and

16.10.3 The written consent of the Independent Market Researcher to the inclusion in this Prospectus of their name and the Executive Summary of the Independent Market Research Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

16.11 Documents for Inspection

Copies of the following documents may be inspected at our registered office during office hours for a period of 12 months from the date of this Prospectus:-

i. Our Memorandum and Articles of Association;

ii. The Accountants' Report as included in Section 12 of this prospectus;

iii. The Reporting Accountants' letters relating to the Proforma Consolidated Financial Information of Ouhua Group as at 30 June 2010 as included in Section 13 of this prospectus;

iv. The Independent Market Research Report prepared by Frost & Sullivan GIC Malaysia Sdn Bhd and its summary thereof as included on Section 14 of this Prospectus;

v. The Directors' Report as included in Section 15 of this Prospectus;

vi. The material contracts referred to in section 16.7 of this Prospectus;

vii. The letters of consents referred to in Section 16.10 of this Prospectus;

viii. The audited financial statements of Ouhua for the FYE 31 December 2009 and the FPE 30 June 2010; and

ix. The audited financial statements of Ouhua PRC for the past two (2) FYE 31 December 2008.

16.12 Responsibility Statements

16.12.1 OSK, being our Adviser, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to the IPO.

16.12.2 This Prospectus has been seen and approved by our Directors and our Promoter and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Prospectus false or misleading.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE

17.1 Opening and Closing of Application

Applications will be accepted from 10.00 a.m. on 15 October 2010 and will close at 5.00 p.m. on 22 October 2010 or for such further period or periods as our Directors, Promoters and our Underwriter in their absolute discretion may decide. Late applications will not be accepted.

If the closing date of the application period is extended, the dates of the balloting, allotment and Listing would be extended accordingly. Any extension of the closing date for application will be advertised in a widely-circulated English as well as Bahasa Malaysia newspaper in Malaysia.

Copies of the Application Forms together with this Prospectus may be obtained, subject to availability, from MIH, OSK, Members of the Association of banks in Malaysia, Members of the Malaysian Investment Banking Association and ADAs which are registered members of Bursa Securities.

17.2 Methods of Application

Applications for the IPO Shares may be made using either of the following ways:-

i. Application Form; or

ii. Electronic Share Application; or

iii. Internet Share Application.

17.3 Procedures for Application

Applications must be made in relation with and subject to the terms of this Prospectus and our Memorandum and Articles. You agree to be bound by our Memorandum and Articles.

FULL INSTRUCTIONS FOR THE APPLICATION OF OUR IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

17.3.1 Application by the Malaysian Public

Applications for 8,000,000 IPO Shares made available for application by the Malaysian Public must be made on the **White Application Forms** provided or by way of Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.60 per IPO Share.

17.3.2 Application by identified Investors by way of placement

Applications for 124,550,000 IPO Shares made available for application by the identified investors must be made on the **Application Form** provided only and **NOT** by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.60 per IPO Share.

Investors under the placement are not precluded from making additional applications using the **White Application Forms** under the Malaysian Public category. If you have been successfully allocated IPO Shares under the placement you may also, at the discretion of our Directors, be allocated IPO Shares under the public offer to the Malaysian Public.

A summary of the method of applications are set out below:-

Class of Applicants	Application Method
i. Malaysian Public	
• Corporations or institutions	White Application Forms only
• Individuals	White Application Forms or Electronic Share Applications or Internet Share Applications
ii. Investors identified by way of placements	Application Forms only

You can submit only one (1) application for the IPO Shares. For example, if you submit an application using an Application Form, you may not submit an application by way of Electronic Share Application or Internet Share Application and vice versa. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or by way of Internet Share Application.

You **must have a CDS account** before you can submit your application by way of Application Form or by way of Electronic Share Application or by way of Internet Share Application.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for our IPO Shares in this exercise.

17.4 Applications using Application Forms

17.4.1 Types of Application Forms

The following relevant Application Forms issued with the notes and instructions enclosed with this Prospectus are deemed to form an integral part hereof:-

i. **White** Application Forms for application by Malaysian Public; and

ii. Application Forms for application by identified investors by way of placement.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability from the following parties:-

i. OSK;

ii. Participating organisations of Bursa Securities;

iii. Members of the Association of Banks in Malaysia;

iv. Members of the Malaysian Investment Banking Association; and

v. MIH.

The submission of an Application Form does not necessarily mean that your application will be successful.

You may submit only one (1) Application Form and your application must be for 100 Shares or multiples thereof. **Multiple applications will not be accepted**. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 182 of the CMSA.

Your application for the IPO Shares must be made on the respective Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and on this Prospectus. Our Directors may at their absolute discretion not accept applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

If you are an individual other than a member of the armed forces or police, your name and national registration identity card ("NRIC") number must be exactly the same as stated in:-

i. a) your NRIC;

 b) any valid temporary identity document as issued by the National Registration Department from time to time; or

 c) Your "Resit Pengenalan Sementara (JPN KP 09)" issued pursuant to Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara 1990; and

ii. the Record of Bursa Depository.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly the same as that stated in your authority card and your address must be the address of your respective camp, base or station.

If you are a corporate or institution, the name and the certificate of incorporation number must be exactly the same as that stated in the corporation's or institution's certificate of incorporation and the address must be the registered address.

We, together with MIH will not issue any acknowledgement of the receipt of your Application Forms or application monies.

17.4.2 Terms and conditions for application using Application Forms

Your application by way of Application Form shall be made on, and subject to, the following terms and conditions:-

i. If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS account and a Malaysian address.

ii. If you are a corporation or institution incorporated in Malaysia, you must have a CDS account and be subject to the following:-

a) If you have a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and

b) There is a majority of Malaysian citizens on the Board of Directors or trustee.

If you are a corporation or institution incorporated outside Malaysia, you must have a CDS account and provide a correspondence address in Malaysia.

iii. If you are a superannuation, provident or pension fund, you must be established or operating in Malaysia and have a CDS account.

iv. Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnership or other incorporated bodies or associations, other than corporations or institutions referred to in Section 17.4.2(ii) and (iii) above or the trustees thereof.

v. Application for the IPO Shares must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein shall constitute an integral part of this Prospectus. Our Directors may at their absolute discretion not accept applications which do not **strictly** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

vi. Your completed Application Form must be accompanied by remittance in RM for the full amount payable by any of the following:-

a) BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur; or

b) MONEY ORDER or POSTAL ORDER (for Applicants from Sabah and Sarawak only); or

c) GUARANTEED GIRO ORDER ("GGO") from Bank Simpanan Nasional Malaysia Berhad; or

d) ATM STATEMENT obtained from any of the following financial institutions:-

- Affin Bank Berhad;
- Alliance Bank Malaysia Berhad;
- AmBank (M) Berhad;
- CIMB Bank Berhad;

- EON Bank Berhad;
- Hong Leong Bank Berhad;
- Malayan Banking Berhad;
- Public Bank Berhad; or
- RHB Bank Berhad.

and must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NUMBER 492"** and crossed **"A/C PAYEE ONLY"** (excluding ATM statements) and endorsed on the reverse side with your name and address.

We will not accept applications accompanied by any mode of payments other than those stated above or with excess or insufficient remittances or inappropriate banker's drafts, cashier's orders, cheques issued by participating licensed financial institutions, money orders, postal orders, GGO or ATM statement. Details of the remittances must be completed in the appropriate boxes provided in the Application Forms.

vii. You must state your CDS Account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to MIH and/ or our Company. If you do not presently have a CDS Account, you may open one by contacting any of the ADAs listed in Section 17.11 of this Prospectus.

viii. Your name and address must be written on the reverse side of the banker's draft, cashier's order, money orders, postal orders, GGO or ATM statement.

ix. Our Directors reserves the right to require you, if your application is successful, to appear in person at the registered office of MIH within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of your application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

x. MIH, on the authority of our Directors reserves the right to reject your applications if it does not conform to these instructions or if it is illegible or if it is accompanied by remittances improperly drawn.

xi. MIH, on the authority of our Directors reserves the right not to accept your application or to accept it in whole or in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

xii. Where your application is not accepted or accepted in part only, the full amount or the balance of your application monies, as the case may be, will be returned without interest and shall be despatched to you within ten (10) market days from the date of the final ballot of the Application Lists by ordinary post or registered post at your address registered with Bursa Depository or where your application is not accepted because you have not provided a CDS account, to the address per the National Registration Identity Card or "Resit Pengenalan Sementara (JPN KP 09)"or any valid temporary identity document as issued by the National Registration Department from time to time or the Authority Card in the case of armed forces or police personnel, at your own risk.

xiii. You shall ensure that your personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

xiv. MIH, on authority of our Directors reserves the right to bank in all application monies from unsuccessful applicants and partially successful applicants, which would subsequently be refunded without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application Lists by ordinary post or registered post at your address registered with Bursa Depository, at your own risk.

xv. Your completed Application Form together with the appropriate remittance and legible photocopy of the relevant documents, must be despatched by **ordinary post** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
P.O.Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya

or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 22 October 2010, or such other later dates or dates as our Directors and our Underwriter in their absolute discretion may decide.

xvi. Please direct all your enquiries in respect of the White Application Form to MIH.

17.5 Applications using Electronic Share Application

17.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

i. You must have an account with a Participating Financial Institution (as detailed in Section 17.5.2 below) and an ATM card issued by that Participating Financial Institution to access the account.

ii. You must have a CDS Account.

iii. You are to apply for the IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set forth in Section 17.5.3 below.

You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:-

- Your Personal Identification Number ("PIN");
- MIH Share Issue Account Number 492;
- Your CDS Account number;
- Number of IPO Shares applied for and/ or the RM amount to be debited from the account; and
- You are to confirm several mandatory statements.

17.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-

- Affin Bank Berhad;
- AmBank (M) Berhad;
- Bank Muamalat Malaysia Berhad;
- CIMB Bank Berhad;
- EON Bank Berhad;
- HSBC Bank Malaysia Berhad;
- Malayan Banking Berhad;
- OCBC Bank (Malaysia) Berhad;
- RHB Bank Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

17.5.3 Terms and Conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("Steps"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in Section 17.5.1 above. The Steps set out the actions that you must take at the ATM to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to "applicant" in the terms and conditions for Electronic Share Applications and the Steps shall refer to you, if you apply for the IPO Shares through an ATM of any of the Participating Financial Institutions.

You must be an individual with a CDS account to make an Electronic Share Application

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for the IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The Transaction Record is only a record that you have completed a transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by us or MIH. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of the offer for the application for our IPO Shares on 22 October 2010 at 5.00 p.m. ("Closing Date and Time"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the IPO Shares to MIH as soon as practicable but not later than 12.00 p.m. of the second (2nd) business day after the Closing Date and Time.

You will be allowed to make an Electronic Share Application for the IPO Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) application. If you have a bank account with a Participating Financial Institution and have been issued an ATM card, you will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to you making only one (1) application.

You must ensure that you use your own CDS account number when making an Electronic Share Application. If you operate a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing conditions.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions as set out below:-

i. Your Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles.

ii. You are required to confirm the following statement (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:-

- You have attained 18 years of age as at the closing date of the share application;
- You are a Malaysian citizen residing in Malaysia;
- You have read the relevant Prospectus and understood and agreed with the terms and conditions of this application;
- This is the only application that you are submitting; and
- You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

Your application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act 1989 and Section 45 of the Securities Industry (Central Depositories) Act 1991, to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to MIH or any other relevant regulatory bodies.

iii. You confirm that you are not applying for the IPO Shares as a nominee of any other persons and that any Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one (1) Electronic Share Application and shall not make any other application for the IPO Shares, whether at the ATMs of any Participating Financial Institutions, on the prescribed Application Forms or via Internet Share Application.

iv. You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. We will reject any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is made.

v. You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key or buttons on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles.

vi. MIH on the authority of our Directors reserves the right to reject or accept any Electronic Share Application in whole or in part only on a non-discriminatory basis without assigning any reason therefore. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

vii. If your Electronic Share Application is unsuccessful or successful in part only, MIH shall inform the relevant Participating Financial Institution of the unsuccessful or partially successful applications within two (2) Market Days after the balloting date. Where your Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies or the balance of it, as the case may be, in RM (without interest or any share of revenue or benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. You may check your accounts on the fifth (5^{th}) Market Day from the balloting day.

viii. If your Electronic Share Application is successful in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. We will, however, hold in reserve a number of applications to replace any successfully balloted applications that are subsequently rejected. If your application is held in reserve, and is subsequently rejected, your application monies without interest will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by MIH by way of cheques issued by MIH and despatched by ordinary post or registered post or ordinary post. The cheque will be issued to you within ten (10) Market Days from the day of the final ballot. Should you encounter any problems in your applications, you may refer to the Participating Financial Institutions.

ix. You request and authorises us:-

a) to credit the IPO Shares allotted or allocated to you into your CDS account; and

b) to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

x. You, acknowledging that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of MIH or the Participating Financial Institutions or Bursa Depository, and you irrevocably agree that if:-

a) we or MIH do/ does not receive your Electronic Share Application; or

b) data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIH;

you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against us, MIH, the Participating Financial Institutions or Bursa Depository for the IPO Shares applied for or for any compensation, loss or damage.

xi. All your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct and we, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.

xii. You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository.

xiii. By making and completing an Electronic Share Application, you agree that:-

a) in consideration of our Company agreeing to allow and accept the making of any application for the IPO Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

b) we, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to us due to a breakdown, failure of transmission or communication facilities, or to any cause beyond our/ their control;

c) notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the IPO Shares;

d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/ or other documents required for the issue or transfer of the IPO Shares allotted or allocated to you; and

e) you agree that in the event of legal disputes arising from the use of the Electronic Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

xiv. Our Directors reserve the right to require you, if your application is successful, to appear in person at the registered office of MIH within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of your application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

xv. MIH, on the authority of our Directors reserves the right to reject your applications, if it does not conform to these instructions.

xvi. A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

17.6 Applications using Internet Share Application

17.6.1 Steps for Internet Share Application

The exact steps for Internet Share Application for the IPO Shares are as set out on the Internet financial services websites of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps of an application of the IPO Shares using Internet Share Application. The steps set out the actions that you must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

i. Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account. You are advised not to apply for the IPO Shares through any website other than the Internet financial services website of the Internet Participating Financial Institution.

ii. Login to the Internet financial services facility by entering your user identification and PIN/ password.

iii. Navigate to the section of the website on applications in respect of initial public offerings.

iv. Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.

v. Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.

vi. At the next screen, complete the online application form.

vii. Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.

viii. By confirming such information, you will undertake that the following mandatory statements are true and correct:-

   a) You have attained 18 years of age as at the closing date of the share application;

   b) You are a Malaysian citizen residing in Malaysia;

   c) You have, prior to making the Internet Share Application, received and/ or had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;

   d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;

   e) The Internet Share Application is the only application that you are submitting for the IPO Shares;

   f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

g) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/ or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;

h) You are not applying for the IPO Shares as a nominee of any other person and the application is made in your own name as beneficial owner and subject to the risks referred to in this Prospectus; and

i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Applications services.

ix. Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your application of the IPO.

x. As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the application of the IPO is being made.

xi. Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.

xii. You are advised to print out the Confirmation Screen for reference and retention.

17.6.2 Terms and Conditions for Internet Share Application

Your application for the IPO Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

You are advised not to apply for the IPO Shares through any website other than the internet financial services website of the Internet Participating Financial Institutions.

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:-

- Affin Bank Berhad at www.affinOnline.com.my; or
- Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- RHB Bank Berhad at www.rhbbank.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- CIMB Investment Bank Berhad at www.eipocimb.com; or
- CIMB Bank Berhad at www.cimbclicks.com.my

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS AND THE PROCEDURES SET OUT IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS BEFORE MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR THE INTERNET SHARE APPLICATIONS IN RESPECT OF THE IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions as set out below:-

i. In order to make an Internet Share Application, you must:-

   a) be an individual with a CDS account;

   b) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification ("User ID") and PIN/ password for the relevant Internet financial services facilities; and

   c) be a Malaysian citizen and have a Malaysian address.

   You are advised to note that a User ID and PIN/ password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

ii. An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Memorandum and Articles.

iii. You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:-

a) You have attained 18 years of age as at the date of the application for the IPO Shares;

b) You are a Malaysian citizen residing in Malaysia;

c) You have, prior to making the Internet Share Application, received and/ or have had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;

d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;

e) The Internet Share Application is the only application that you are submitting for the IPO Shares;

f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/ or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;

h) You are not applying for the IPO Shares as a nominee of any other person and the application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

i) You authorise the Internet Participating Financial Institution to disclose transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

iv. Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details your Internet Share Application, including the number of IPO Shares applied for which can be printed out by you for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 17.6.2. (iii) above.

v. You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.

vi. You irrevocably agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of the Internet Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept our decision as final.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:-

a) Your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and

b) Your agreement to be bound by our Memorandum and Articles.

vii. You are fully aware that multiple or suspected multiple Internet Share Applications for the IPO Shares will be rejected. MIH on the authority of our Directors reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefore. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our shares.

viii. If your Internet Share Application is unsuccessful or successful in part only, MIH shall inform the relevant Internet Participating Financial Institution of the unsuccessful or partially successful Internet Share Application within two (2) Market Days after the balloting date. Where your Internet Share Application is unsuccessful, the relevant Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies or the balance of it, as the case may be, in RM (without interest or any share revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH.

If your Internet Share Application is successful in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in RM (without interest or any share revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH. We will, however, hold in reserve a number of applications to replace any successfully balloted applications that are subsequently rejected. If your application is held in reserve and is subsequently rejected, your application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by MIH by way of cheques issued and despatched by ordinary post or registered post. The cheques will be issued to you within ten (10) Market Days from the day of the final ballot.

For applications that are held in reserve and are subsequently unsuccessful (or partly successful), the Internet Participating Financial Institutions will arrange for a refund of the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within ten (10) Market Days from the day of the final ballot.

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institutions to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult with the Internet Participating Financial Institutions through which your the application was made in respect of the mode or procedure of enquiring on the status of the Internet Share Application in order to determine the status or exact number of IPO Shares allotted or allocated, if any, before trading of our Shares on Bursa Securities.

ix. Internet Share Applications will be closed at 5.00 p.m. on 22 October 2010 or such other date(s) as our Directors and our Underwriter may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.

x. You irrevocably agree and acknowledge that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of MIH or the Internet Participating Financial Institutions and the Authorised Financial Institutions. If in any such event, we, MIH and/ or the Internet Participating Financial Institutions and/ or the Authorised Financial Institutions do not receive your Internet Share Application and/ or the payment therefore, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an Internet Share Application and you shall not claim whatsoever against us, MIH or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

xi. All your particulars in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Share Application shall be deemed to be true and correct, and we, MIH, the relevant Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application is liable to be rejected. The notification letter on successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

xii. By making and completing an Internet Share Application, you are deemed to have agreed that:-

a) In consideration of our Company agreeing to allow and accept the making of any application for the IPO Shares via the Internet Share Application facility established by the Internet Participating Financial Institution acting as agents of us, your Internet Share Application is irrevocable;

b) You have irrevocably requested and authorised us to register the IPO Shares allotted or allocated to you for deposit into your CDS account;

c) Neither us nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 17.6.2(x) herein or to any cause beyond their control;

d) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by MIH, us and/ or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/ or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;

e) The acceptance of your offer to subscribe for the IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;

f) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;

g) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, our Underwriter and Adviser and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which you may have relied on in making the Internet Share Application;

h) Our acceptance of your Internet Share Application and the contract resulting therefrom under the IPO shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.

xiii. The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-

a) Affin Bank Berhad (www.affinOnline.com.my) – No fees will be charged for application by their account holders;

b) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;

c) CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;

d) CIMB Bank Berhad (www.cimbclicks.com.my) - RM2.00 for applicants with CDS accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs; and

e) RHB Bank Berhad (www.rhbbank.com.my) – RM2.50.

17.7 Over/ under-subscription

In the event of an over-subscription, acceptance of applications shall be subject to a ballot to be conducted in the manner approved by our Directors on a fair and equitable basis. We will give due consideration to the desirability of distributing our Shares to a reasonable number of applicants with a view of broadening our shareholding base and establishing an adequate market for our Shares.

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up capital which must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each, upon admission to the Official List. We expect to achieve this at the point of Listing. We may not be allowed to proceed with our Listing if the above requirement is not met pursuant to the IPO. In the event thereof, your monies paid in respect of your applications will be returned without interest if the said permission for listing and quotation is not granted. Our Directors will determine how the applications will be selected.

In the event of an under-subscription of IPO Shares by the Malaysian Public, such IPO Shares not taken up will then be offered to the identified investors by way of placement, if there is demand. Thereafter, any unsubscribed IPO Shares will be made available for subscription by our Underwriter.

17.8 Applications and Acceptances

MIH on the authority of our Directors reserves the right not to accept your application, if it does not strictly comply with the instructions or to accept your application in part only without assigning any reason therefore.

The submission of an Application Form does not necessarily mean that the application will be successful.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares.

Your applications must be for at least 100 Shares or multiples thereof.

IF YOUR APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF YOUR APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY ORDINARY POST OR REGISTERED POST TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS AT YOUR ADDRESS LAST MAINTAINED WITH THE BURSA DEPOSITORY AT YOUR OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

MIH ON THE AUTHORITY OF OUR DIRECTORS RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY ORDINARY POST OR REGISTERED POST AT YOUR ADDRESS LAST MAINTAINED WITH THE BURSA DEPOSITORY AT YOUR OWN RISK.

17.9 CDS Accounts

Pursuant to Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS accounts. We will not issue any share certificates to you.

17.9.1 Application by way of Applications Forms

Only if you have a CDS account can you make an application by way of an Application Form. If you apply using an Application Form, you should state your CDS account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIH or us, and any relevant regulatory bodies, as the case may be. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares.

17.9.2 Application by way of Electronic Share Applications

Only if you have a CDS account can you make an application by way of an Electronic Share Application. If you apply using an Electronic Share Application, you shall furnish your CDS account number to the Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so.

17.9.3 Application by way of Internet Share Applications

Only if you have a CDS account can you make an application by way of an Internet Share Application. In certain cases, you can only make an Internet Share Application if you have a CDS account opened with the Internet Participating Financial Institution. Subsequently, your CDS account number would automatically appear in the electronic online application form.

If you fail to comply with these specific instructions or there is inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, your application may be rejected. If you are successful in your application but fail to state your CDS account number, MIH on the authority of our Directors reserves the right to reject your application. MIH on the authority of our Directors also reserves the right to reject any incomplete and inaccurate application. We may also reject your application if your particulars provided in the Application Forms, or your records with the Participating Financial Institutions in the case of Electronic Share Application or Internet Participating Financial Institutions in the case of Internet Share Application, differ from those in Bursa Depository's records such as your identity card number, name and nationality.

17.10 Notice of Allotment

If your application is successful or partially successful, we will credit our Shares allotted to you to your CDS account. We will despatch a notice of allotment to you at your address last maintained with the Bursa Depository at your own risk prior to our Listing. For Electronic Share Applications or Internet Share Applications, the notice of allotment will be despatched to you at your address last maintained with the Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your application as we will not be issuing any share certificate to you.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulations of the Bursa Depository, failing which we shall send the notification letter on your allotment to your address last maintained with Bursa Depository.

You may also check the status of your application by logging on to MIH website at www.mih.com.my or by calling your respective ADAs at the telephone number as stated in Section 17.11 of this Prospectus or by calling MIH at (603) 7841 8000 or (603) 7841 8289, between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

17.11 List of ADAs

The list of ADAs and their respective Broker Code are as follow:-

Name	Address and telephone number	Broker code
KUALA LUMPUR		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD	17th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur No Tel : 03-26976333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2078 2788	086-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor Podium Block, AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Tel No : 03-4043 3533	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No : 03-2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD	3rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2178 1888	052-001
ECM LIBRA INVESTMENT BANK BERHAD	Level 1, Avenue Building Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-2089 1800	052-009
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-2168 1168	066-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD	Nos. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan Kaskas, 5th Mile Cheras 56100 Kuala Lumpur Tel No : 03-9130 3399	068-012
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-2711 6888	068-014
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No : 03-7981 8811	054-005
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2164 9080	073-001
KENANGA INVESTMENT BANK BERHAD	No. 57-10, Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Tel No : 03-2287 1799	073-015

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-2282 1820	057-002
MAYBANK INVESTMENT BANK BERHAD (formerly known as Aseambankers Malaysia Berhad)	5-13 Floor, MaybankLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No 2, Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur No Tel : 03-62037227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2173 8888	026-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No : 03-2691 0200	061-001
OSK INVESTMENT BANK BERHAD	20^{th} Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-2333 8333	056-001
OSK INVESTMENT BANK BERHAD	No. 62 & 64 Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-6257 5869	056-028
OSK INVESTMENT BANK BERHAD	Ground Floor, No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-4280 4798	056-054
OSK INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-9058 7222	056-058
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-2146 3000	064-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2031 3011	051-001
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13 – 16, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-2072 1277	058-003
SELANGOR DARUL EHSAN		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7729 8016	028-003
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7710 6613	086-003
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	Level 10 1 First Avenue 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7724 6888	066-002
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5635 6688	068-010

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Tel No : 03-6137 1888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-8736 1118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7956 2169	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No : 03-8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-3005 7550	073-007
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7725 9095	073-016
OSK INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7873 6366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-8736 3378	056-045

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No : 03-6092 8916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9180	056-048
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-3341 5300	064-007
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40200 Shah Alam Selangor Darul Ehsan Tel No : 03-5192 0202	096-001
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-8025 1880	058-005
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-289 8800	065-006
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-288 1720	052-008
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No : 06-337 1533	012-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-292 1898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-282 5211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka No Tel : 06-286 6008	064-006
RHB INVESTMENT BANK BERHAD	Lot 7-13 & 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Tel No : 06-283 3622	087-002
PERAK DARUL RIDZUAN		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-623 2328	078-009
ALLIANCE INVESTMENT BANK BERHAD	No. 43 & 44, Ground Floor Taman Sentosa, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-691 0910	076-008
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-242 2828	052-002
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-622 2828	052-006
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1,2 &3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-806 6688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-255 9988	068-015

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-241 9800	057-001
MAYBANK INVESTMENT BANK BERHAD (formerly known as Aseambankers Malaysia Berhad)	B-G-04 (Ground Floor), Level 1 & 2 No. 42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-245 3400	098-002
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-241 5100	056-002
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-623 6498	056-014
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-692 1228	056-016
OSK INVESTMENT BANK BERHAD	Ground Floor No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-808 8229	056-034
OSK INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-465 1261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-717 0888	056-052
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-253 0888	066-003

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-253 1313	058-001
PULAU PINANG		
A.A. ANTHONY SECURITIES SDN BHD	1st, 2nd & 3rd Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-229 9318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-554 1388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1, & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuh Light 10200 Penang Tel No : 04-261 1688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-226 1818	086-004
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-238 5900	065-003
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No : 04-228 1868	052-003
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-228 3355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-263 6996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-537 2882	068-006

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No : 04-269 0888	054-002
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-210 6666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No : 04-332 2123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Tel No : 04-263 9118	093-004
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Tel No : 04-263 4222	056-004
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No : 04-390 0022	056-005
OSK INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-540 2888	056-015
OSK INVESTMENT BANK BERHAD	834, Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No : 04-583 1888	056-032
OSK INVESTMENT BANK BERHAD	Ground 1st Floor No. 15-G-5, 15-G-6, 15-1-5, 15-1-6, Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-640 4888	056-042
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-227 3000	064-004

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
PERLIS INDRA KAYANGAN		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No : 04-976 5200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No : 04-979 3888	056-061
KEDAH DARUL AMAN		
A.A. ANTHONY SECURITIES SDN BHD	Lot 4, 5 & 5A 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-732 2111	078-007
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-731 7088	076-004
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-425 6666	068-011
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-420 4888	056-017
OSK INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1 Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-496 4888	056-019
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor, 215-A & 215-B Medan Putra Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-720 9888	056-021

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
NEGERI SEMBILAN DARUL KHUSUS		
ECM LIBRA INVESTMENT BANK BERHAD	1 C-1 & 1 D-1, 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Tel No : 06-765 5998	052-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-761 2288	068-007
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-455 3188	068-013
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33 Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-764 1641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-442 1000	056-037
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-455 3014	056-040
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347 Batu ½ , Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-646 1234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-762 3131	064-002
JOHOR DARUL TAKZIM		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-333 2000	078-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-663 7398	078-005
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-351 3218	078-006
A.A. ANTHONY SECURITIES SDN BHD	No.171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-512 1633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-771 7922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-434 2282	086-002
AMINVESTMENT BANK BERHAD	18th & 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-334 3855	086-006
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-953 2222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07-467 8885	052-005
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-222 2692	068-004

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-223 1211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-333 3600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No : 06-954 2711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-933 3515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-777 1161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor, No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-978 2292	073-011
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25, Pelangi Tower Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-222 7388	061-002
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-278 8821	056-006
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-438 0288	056-009

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
OSK INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-953 8262	056-025
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-557 7628	056-029
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-932 1543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No.17, Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No : 07-776 9655	056-031
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-662 6288	056-035
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-978 7180	056-038
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-925 6881	056-039
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 1 & 1-01 Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-352 2293	056-043
PM SECURITIES SDN BHD	No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim No Tel : 07-3513232	064-005

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-433 3608	064-008
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-566 0800	076-002
ECM LIBRA INVESTMENT BANK BERHAD	B62, Ground Floor Lorong Tun Ismail 8, Sri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-513 3289	052-007
OSK INVESTMENT BANK BERHAD	B2 & B34 Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-517 3811	056-007
OSK INVESTMENT BANK BERHAD	Ground Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-223 4943	056-022
OSK INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-491 4913	056-041
KELANTAN DARUL NAIM		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-743 0077	056-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-743 2288	058-004

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No : 09-631 7922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-623 8128	021-001
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-858 3109	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-626 1816	056-055
SARAWAK		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No : 082-244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No : 082-358 606	065-004
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No : 082-236 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Comercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330 008	068-016

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313 855	073-012
OSK INVESTMENT BANK BERHAD	Ground, 1st Floor and 6th Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No : 082-422 252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor, Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422 788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No : 084-329 100	056-013
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No : 084-654 100	056-050
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Tel No : 086-311 770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084-319 998	058-002

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No : 082-236 333	058-006
SABAH		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-313 836	065-005
ECM LIBRA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236 188	052-012
HWANGDBS INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor CPS Tower, Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-311 688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088-234090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No : 088-269788	056-010
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah Mile 4, North Road 91000 Sandakan Sabah Tel No : 089-229286	056-057

APPENDIX A SUMMARY OF SINGAPORE COMPANY AND TAX LAWS

Our Company is incorporated in Singapore and, therefore, operates subject to Singapore law. Set out below is a summary of certain provisions of Singapore company law as at the date of this Prospectus, including those contained in the Companies Act (Chapter 50) of Singapore (the "Singapore Companies Act").

This summary below does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Singapore company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

The summary below does not purport to be legal advice nor a comprehensive description of all the rights and obligations of shareholders conferred under Singapore company law. It should also be noted that the laws applicable to Singapore companies may change, whether as result of proposed legislative reforms to Singapore company law or otherwise. You should consult your legal or other professional adviser if you are in doubt as to your rights and privileges as a shareholder of the Company.

While the following includes a discussion of certain tax matters arising under the current tax laws in Singapore including those contained in the Income Tax Act (Chapter 134), it is not intended to be and does not constitute tax advice. While such discussion is considered to be a correct interpretation of existing laws and regulations in force as at the date of this Prospectus, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws and regulations will agree with this interpretation or that changes in such laws and regulations will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to holding or disposal of the shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase the shares.

Prospective investors are also advised to consult their own tax advisers regarding Singapore tax and other tax consequences of holding and disposing of the shares, to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their countries of residence may have with Singapore.

A copy of the full text of the relevant Singapore legislations cited in the summary below can be accessed at http://statutes.agc.gov.sg.

(a) Share capital

Under the Singapore Companies (Amendment) Act 2005, the concept of 'par value' is abolished for companies incorporated in Singapore, whether before or after the coming into effect of the amendment on 30 January 2006.

The Singapore Companies Act permits a company's share capital to be divided into different classes. Generally speaking, there are two broad classes of shares - ordinary shares and preference shares. The rights attached to preference shares with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other shares must be set out in the memorandum and articles of association of the company.

The Singapore Companies Act contains certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum and articles of association of a company authorizing the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class is required. Holders of not less in the aggregate than five (5%) per cent of the shares of the class in question may apply to court to have a variation or abrogation of their rights cancelled. The alteration of any provision in the memorandum and articles of association of a company which affects or relates to the manner in which the rights attaching to the shares of any class may be varied or abrogated is deemed to be a variation or abrogation of the rights attached to the shares of that class.

(b) Membership

Under the Singapore Companies Act, a company shall have at least one member. The subscribers to the memorandum shall be deemed to have agreed to become members of the company and on the incorporation of the company shall be entered into as members in its register of members, and every other person who agrees to become a member of a company and whose name is entered in its register of members shall be a member of the company.

(c) Financial assistance to purchase shares of a company or its holding company

Under the Singapore Companies Act, except as otherwise provided by the Singapore Companies Act, a company shall not:-

(a) whether directly or indirectly, give any financial assistance for the purpose of, or in connection with –

(i) the acquisition by any person, whether before or at the same time as the giving of financial assistance, of shares or units of shares in the company or a holding company of the company; or

(ii) the proposed acquisition by any person of shares or units of shares in the company or a holding company of the company; or

(b) whether directly or indirectly, in any way (i) acquire shares or units of shares in the company or (ii) purport to acquire shares or units of shares in a holding company of the company; or

(c) whether directly or indirectly, in any way, lend money on the security of shares or units of shares in the company or a holding company of the company.

Financial assistance includes the giving of financial assistance by means of the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise.

Certain transactions are specifically provided by the Singapore Companies Act not to be prohibited. These include the payment of a dividend in good faith and in the ordinary course of commercial dealing, the payment by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act, the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares in the company, and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments.

In certain cases, a company may provide financial assistance for the purpose of, or in connection with, the acquisition by any person of its shares or shares in its holding company if it falls within the exceptions and/or comply with the requirements and procedures prescribed in Section 76 of the Singapore Companies Act

(d) Purchase of shares and warrants by a company and its subsidiaries

Section 76(1)(b) of the Singapore Companies Act prohibits a company from, directly or indirectly, acquiring its own shares or units of shares in itself and from acquiring shares or units of shares in its holding company. However, a company may, under the Section 76B(1) of the Singapore Companies Act, purchase or otherwise acquire shares issued by it if it is expressly permitted to do so by its articles of association.

Any purchases or acquisitions of shares may be made only if the company is solvent and out of the company's capital or profits. It is an offence for a director or manager of the company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent.

Under the Singapore Companies Act, shares purchased and acquired by the company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the shares will expire on such cancellation) unless such shares are held by the company as treasury shares.

The company shall be registered as a member in respect of the treasury shares but shall not have any right to attend or vote at meetings and for the purpose of the Singapore Companies Act, the company shall be treated as having no right to votes and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) or the company's assets may be made, to the company in respect of the treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

Where the shares are held as treasury shares, the company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employee's share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance of Singapore.

(e) Dividends and distributions

Under the Singapore Companies Act, no dividend shall be payable to the shareholders of any company except out of profits. Dividends may be paid otherwise than in cash (including in the form of shares or wholly or partly by the distribution of specific assets). However, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members or a winding up) may be made, to the company in respect of the treasury shares.

(f) Protection of minority shareholders

Section 216 of the Singapore Companies Act may be invoked by any member, person to whom shares in the company have been transmitted by operation of law as it applies to members of a company or holder of a debenture of a company where the:

(a) affairs of the company are being conducted or the powers of the directors are being exercised in a manner oppressive to one or more of the members or holders of debentures (including such member or debenture holder) or in disregard of his or their interests as members, shareholders or debenture holders of the company; or

(b) some act of the company has been done or is threatened or that some resolution of the members, holders of debentures or any class of them has been passed or is proposed which unfairly discriminates against or is otherwise prejudicial to one or more of the members or debenture holders of the company (including such member or debenture holder).

Under Section 216 of the Singapore Companies Act the High Court of Singapore may, if of the opinion that the aforementioned grounds are established, give an order for the following:

(i) direct or prohibit any act or cancel or vary any transaction or resolution;

(ii) regulate the conduct of the affairs of the company in future;

(iii) authorize civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the High Court of Singapore may direct;

(iv) provide for the purchase of a minority shareholder's shares by the other shareholders or by the company and, in the case of a purchase of shares by the company, a corresponding reduction of its share capital;

(v) provide that the memorandum and articles of association of the company be amended; or

(vi) provide that the company be wound up.

Section 216A of the Singapore Companies Act also provides that any member of a company, the Minister of Finance (in certain cases), or any other person who in the discretion of the court is a proper person to make an application under the Singapore Companies Act may apply to the High Court of Singapore for leave to bring an action in the name and on behalf of the company or intervene in an action to which the company is a party for the purpose of prosecuting, defending or discontinuing the action on behalf of the company.

The High Court of Singapore will only grant such leave if the High Court of Singapore is satisfied that such person has give 14 days' notice to the directors of the company of such person's intention to apply for leave; such person is acting in good faith; and it appears prima facie in the interests of the company that the action be brought, prosecuted, defended or discontinued.

(g) Management

The business of a company shall be managed by or under the direction of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the memorandum and articles of the company require the company to exercise in general meeting.

The Singapore Companies Act stipulates that a director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office. It further stipulates that an officer or agent of a company shall not make improper use of any information acquired by virtue of his position as an officer or agent of the company to gain, directly or indirectly, an advantage for himself or for any other person or to cause detriment to the company.

The Singapore Companies Act also provides that a company incorporated in Singapore and has been admitted to the official list of a securities exchange in Singapore and has not been removed from the official list shall have an audit committee. An audit committee shall be appointed by the directors from among their number (pursuant to a resolution of the board of directors) and shall be comprised of 3 or more members of whom a majority shall not be (a) executive directors of the company or any related corporation; (b) a spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an executive director of the company or of any related corporation; or (c) any person having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the functions of an audit committee.

(h) Accounting and auditing requirements

The Singapore Companies Act requires a company and its directors and managers to keep such accounting and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair profit and loss accounts and balance-sheets and any documents required to be attached thereto to be prepared from time to time, and shall cause such records to be kept in such a manner as to enable them to be conveniently and properly audited, at the registered office of the company or at such other place as the directors think fit and shall at all times be open to inspection by the directors.

The company shall retain the accounting and other records for a period not less than five years from the end of the financial year in which the transactions or operations to which those records relate are completed. If the accounting and other records are kept by the company at a place outside Singapore there shall be sent to and kept at a place in Singapore and be at all times open to inspection by the directors such statements and returns with respect to the business dealt with in the records so kept as will enable to be prepared true and fair profit and loss accounts and balance sheets and any documents required to be attached thereto.

Apart from companies which are exempt from audit requirements under Section 205B or Section 205C of the Singapore Companies Act, both the profit and loss account and the balance sheet of the company must be duly audited with the auditor's report appended to them.

The directors of every company shall, at a date not later than 18 months after the incorporation of the company and subsequently at least once in every calendar year at intervals of not more than 15 months, lay before the company at its annual general meeting a profit and loss account for the period since the preceding account (or in the case of the first account, since the incorporate of the company) made up to a date (a) in the case of a public company listed or quoted on a securities exchange in Singapore, not more than 4 months before the date of the meeting, (b) in the case of any other company, not more than 6 months before the date of the meeting.

A balance sheet made up to the same date as the profit and loss account must also be laid before the meeting at the same time. The financial statements are to be presented in a form in accordance with the Singapore Financial Report Standards, and give a true and fair view of the profit and loss of the company for the period of accounting as shown in the accounting and other records of the company, or of the state of affairs of the company as at the end of the period to which it relates, as the case may be.

A copy of every profit and loss account and balance-sheet of a company or, in the case of a holding company, a copy of the consolidated accounts and balance-sheet (including every document required by law to be attached thereto), which is duly audited and which (or which, but for Section 201C of the Singapore Companies Act) is to be laid before the company in general meeting accompanied by a copy of the auditor's report thereon shall –

(a) Not less than 14 days before the date of the meeting; or

(b) If a resolution under section 175A of the Singapore Companies Act is in force, not less than 28 days before the end of the period allowed for the laying of those documents,

be sent to all persons entitled to receive notice of general meetings of the company.

A company shall be exempt from audit requirements if (a) it has been dormant from the time of its formation; or (b) it has been dormant since the end of the previous financial year. An exempt private company shall be exempt from audit requirements in respect of a financial year if its revenue in that year does not exceed the prescribed amount.

Any member of a company (whether he is or is not entitled to have sent to him copies of the profit and loss accounts and balance-sheets, or consolidated accounts and balance-sheet) to whom copies have not been sent and any holder or a debenture shall, on a request being made by him to the company, be furnished by the company without charge with a copy of the last profit and loss account and balance-sheet of the company, or a copy of the consolidated accounts and balance-sheet, as the case may be (including every document required by the Singapore Companies Act to be attached thereto) together with a copy of the auditor's report thereon.

A public company admitted to the official list of a securities exchange in Singapore and has not been removed from that list may send a summary financial statement derived from the company's annual accounts and the directors' report. Every summary financial statement shall (a) state that it is only a summary of information in the company's annual accounts and the directors' report, and (b) contain a statement by the company's auditors of their opinion as to whether the summary financial statement is consistent with the accounts and the report and complies with the requirements and regulations provided in the Singapore Companies Act.

(i) Auditors

The directors of a company shall, within 3 months after incorporation of the company, appoint a person or persons to be the auditor or auditors of the company, and any auditor or auditors so appointed shall hold office until the conclusion of the first annual general meeting.

A company shall at each annual general meeting of the company appoint a person or persons to be the auditor or auditors of the company, and any auditor or auditors so appointed shall, subject to Section 205 of the Singapore Companies Act, hold office until the conclusion of the next annual general meeting of the company.

A person shall not be capable of being appointed auditor of a company at an annual general meeting unless he held office as auditor of the company immediately before the meeting or notice of his nomination as auditor was given to the company by a member of the company not less than 21 days before the meeting. Upon receipt of the notice of nomination, the company shall send a copy of the notice to the person nominated, to each auditor of the company and to each person entitled to receive notice of general meetings of the company not less than 7 days before the annual general meeting.

An auditor of a company may be removed form office by resolution of the company at a general meeting or which special notice has been given, but not otherwise.

An auditor of a company may resign (a) if he is not the sole auditor of the company, or (b) at a general meeting of the company, but not otherwise. If an auditor gives notice in writing to the directors of the company that he desires to resign, the directors shall call a general meeting of the company as soon as is practicable for the purpose of appointing an auditor in place of the auditor who desires to resign and on the appointment of another auditor the resignation shall take effect.

(j) Exchange control

(a) Subject to the payment of the applicable taxes described in paragraph (k) below, there are no restrictions or time frames imposed on the reinvestment or repatriation of earnings and capital under Singapore laws, so long as there is no breach of any rule for international monitoring for countering money-laundering and terrorism. In addition, Singapore laws do not impose significant restriction on remittances, foreign exchange transactions or capital movements.

(k) Taxation

Scope of Tax in general

Corporate taxpayers are subject to Singapore income tax on all income accruing in or derived from Singapore or received/deemed received in Singapore from outside Singapore (unless specifically exempt from income tax).

Foreign-sourced income in the form of dividends, branch profits and services income received or deemed received in Singapore by Singapore tax resident companies are exempt from Singapore income tax if the following conditions are met:

(i) the income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;

(ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and

(iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign-sourced income.

For individuals, income accruing in or derived from Singapore is subject to Singapore income tax (unless specifically exempt from income tax), while all foreign-sourced income received in Singapore is exempt from income tax, except for income received through a partnership in Singapore.

Rates of Tax

The prevailing corporate tax rate is 17%. The effective tax rate is lower due to the partial tax exemption on corporate taxpayers' first SGD300,000 income chargeable to income tax at 17% (excluding Singapore franked dividends) as follows:-

(i) First three Years of Assessment of tax resident Singapore incorporated companies with no more than 20 individual shareholders of which at least one is an individual holding at least 10% of total number of issued ordinary shares throughout the basis period relating to the Year of Assessment of claim:

- 100% of first SGD100,000 chargeable income;
- 50% of next SGD200,000 chargeable income.

(ii) All other cases:

- 75% of first SGD10,000 chargeable income;
- 50% of next SGD290,000 chargeable income.

Singapore tax-resident individuals are subject to tax on their taxable income based on a progressive scale. The top marginal rate for Year of Assessment 2011 (basis period calendar year 2010) is 20%. Non-Singapore tax resident individuals are subject to income tax on their taxable income at a flat rate of 20%, except that their Singapore employment income is taxed at a flat rate of 15% or at tax resident rates, whichever yields a higher tax.

Tax Residency

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore (for example, where the company's board of directors meets in Singapore to make strategic decisions for the business of the company).

An individual is regarded as a tax resident in Singapore for a Year of Assessment if, in the preceding year, he was physically present or has exercised employment in Singapore (other than as a director of a company) for 183 or more days, or if he resides in Singapore.

Dividend Distributions

Singapore adopts the one-tier corporate tax system ("One-Tier System") which took effect from 1 January 2003. Under the One-Tier System, the tax paid by companies on their corporate profits is final and dividends paid by Singapore tax resident companies are exempt from Singapore income tax in the hands of all Shareholders. There will be no tax credits attached to such dividends.

There is no withholding tax on dividend payments to non-resident Shareholders.

Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. However, there are no specific tax laws and regulations which deal with the characterization of capital gains, and hence, gains arising from the disposal of shares may be construed to be of an income nature and subject to tax if the gains arise from activities which the Comptroller of Income Tax considers as the carrying on of a trade or business in Singapore. Hence, any profits from the disposal of shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case the gains on disposal of the shares would be taxable.

Estate Duty

With effect from 15 February 2008, Singapore estate duty is abolished.

Goods and Services Tax ("GST")

The sale of the shares by a GST-registered investor to another person belonging in Singapore is an exempt supply not subject to GST. Any GST incurred by the investor in respect of this exempt supply is not recoverable from the Comptroller of GST, unless certain conditions in the GST legislation are satisfied. Where the shares are sold by a GST-registered investor to a person belonging outside Singapore or through an overseas exchange, the sale would generally be a taxable supply subject to GST at the zero-rate. Any GST incurred by the GST-registered investor in the making of this supply in the course or furtherance of a business may, subject to the provisions of the Goods and Services Tax Act, be offset against the investor's GST liability and, in the event of an excess input tax credit, be recovered from the Comptroller of GST.

Services such as brokerage, handling and clearing charges rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of shares will be subject to GST at the standard rate (currently at 7%). Similar services rendered to an investor belonging outside of Singapore may be zero-rated if certain conditions are met.

(l) Stamp duty

No stamp duty is payable on the issue of new ordinary shares of the Company. In the event that a register of shares is kept in Singapore and where an instrument of transfer is executed in respect of shares registered in such register, stamp duty may be payable on such instrument of transfer at the rate of S$2.00 for every S$1,000 or part thereof, computed based on the value of consideration or the market value of the shares registered in Singapore, whichever is higher. The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or If the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

(m) Loans to directors

Under the Singapore Companies Act, a company (other than an exempt private company) is prohibited from making a loan to a director of the company or a director of a related company (and to the spouse or natural, step or adopted children of any such director), and from giving a guarantee or providing any security in connection with such a loan, except in the following circumstances:-

(a) (subject to, inter alia, the prior approval of the company in a general meeting) the provision of funds to such a director to meet expenditure incurred or to be incurred by him for the purpose of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;

(b) (subject to, inter alia, the prior approval of the company in a general meeting) a loan made to such director who is engaged in the full-time employment of the company or a related company, as the case may be, for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director, except that not more than one such loan may be outstanding from the director at any one time;

(c) any loan made to such a director who is engaged in the full-time employment of the company or a related company, as the case may be, where the company has at general meeting approved of a scheme for the making of loans to employees of the company and the loan is in accordance with that scheme; or

(d) a loan made to such director in the ordinary course of business of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Monetary Authority of Singapore ("MAS").

For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.

A company (the "first mentioned company") (other than an exempt private company) is also prohibited from making loans to persons connected with the directors or entering into any guarantee or providing any security in connection with a loan made to connected persons by a third-party. Persons connected with the directors of the first mentioned company include companies in which the director(s) (and his spouse or natural, step or adopted children) of the first mentioned company, individually or collectively, have an interested in 20% or more of the total number of equity shares in the other company (excluding treasury shares) (as determined in accordance with the Singapore Companies Act).

This prohibition does not apply to:-

(i) anything done by a company where the other company (whether that company is incorporated in Singapore or otherwise) is its subsidiary, holding company or a subsidiary of its holding company; or

(ii) a company, whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS.

(n) Inspection of corporate records

The Singapore Companies Act provide members of the company the right to inspect various registers and records that company is required to maintain. These include the register of members; the register of directors, secretaries, managers and auditors; the register of directors' shareholdings; the register of substantial shareholders; the register of debenture holders; and the register of charges.

Inspection of registers may be made free of charge while members of the public can inspect certain registers on payment of S$1.00 or such less sum as the company requires. A member may also inspect the minutes of the company's general meetings and requests for copies of the minutes at nominal charge.

A creditor or member may also inspect all instruments creating registrable charges in respect of the company's property without fee, while members of the public shall be entitled to inspect such register on payment of such fee, not exceeding $2, as is fixed by the company.

A member who is entitled to receive notice of general meeting of the company is entitled to be sent, free of charge, a copy of the last audited profit and loss account and balance sheet (including consolidated accounts where applicable), a copy of the auditor's report and a copy of the director's report on the accounts not less than 14 days before the general meeting at which the accounts are to be presented, or where the company has dispensed with the holding of general meeting, not less than 28 days before the end of the period allowed for the laying of those documents. However, a member has no right of access to the accounting records of the company and access to such accounting records is available to directors and the auditors only.

(o) Winding up

Under the Singapore Companies Act, there are two forms of windings up, namely voluntary winding up and compulsory winding up by the court.

A voluntary winding up may be either a members' voluntary winding up or a creditors' voluntary winding up.

In a voluntary winding up, the directors of the company must make a statement that the directors of the company are of the view that the company will be able to pay its debts in full within a period not exceeding 12 months after the commencement of the winding up.

If the directors do so, the winding up will proceed as a members' voluntary winding up. In such circumstances, the shareholders will appoint one or more liquidators at a general meeting for the purpose of winding up the affairs and distributing the assets of the company. If the directors do not make such a statement, it will be a creditors' voluntary winding up, in which case the directors must call a meeting of creditors in order to appoint the liquidator.

A members' voluntary winding up may be converted into a creditors' voluntary winding up if the liquidator appointed by the members forms the opinion that the company will not be able to pay its debts in full within the period stated in the declaration made. The liquidator will then have to summon a meeting of creditors and lay before them a statement of the assets and liabilities of the company. The creditors may then appoint some other person to be the liquidator for the purpose of the winding up of the company.

In the case of a creditors' voluntary winding up of a company, the company must cause a meeting of creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is proposed is to be held. Notices of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must advertise such a notice in newspaper in Singapore.

In a voluntary winding up (whether members' or creditors'), the company shall, from the commencement of the winding up cease to carry on its business, except so far as in the opinion of the liquidator is required for the beneficial winding up thereof. On the appointment of a liquidator in a voluntary winding up, the powers of the directors generally cease. After the commencement of a voluntary winding up, no action shall be commenced or proceeded with against the company except by the leave of the court.

A company may also be wound up by an order of court. A petition to the court to wind up the company may be presented by, inter alia, the company itself, a creditor, a contributory, the liquidator of the company, a judicial manager.

Under section 254 of the Singapore Companies Act, the court may order the winding up of a company in certain circumstances, including:

(a) the company has by special resolution resolved that it be wound up by the court;

(b) the company does not commence business within a year from its incorporation or suspends its business for a whole year;

(c) the company is unable to pay its debts;

(d) the directors have acted in the affairs of the company in their own interests rather than in the interests of the members as a whole, or in any other manner whatever which appears to be unfair or unjust to other members;

(e) the court is of opinion that it is just and equitable that the company be wound up;

(f) the company has carried on multi-level marketing or pyramid selling in contravention of any written law that prohibits multi-level marketing or pyramid selling in contravention of any written law that prohibits such activities; and

(g) the company is being used for an unlawful purpose or for purposes prejudicial to public peace, welfare or good order in Singapore or against national security or interest.

(p) Singapore Code on Take-overs and Mergers

The Singapore Code on Take-overs and Mergers (the "Code") is issued by the Monetary Authority of Singapore pursuant to Section 321 of the Securities and Futures Act of Singapore. The objective of the Code is fair and equal treatment of all shareholders in a take-over or merger situation in Singapore. The Securities Industry Council of Singapore may invoke sanctions on parties concerned in a take-over offer or a matter connected therewith who fail to observe any of the provisions of the Code.

The Code applies to corporations with a primary listing of their equity securities and business trusts with a primary listing of their units in Singapore, and Singapore-incorporated companies with a primary listing overseas. Unlisted public companies and unlisted registered business trusts with more than 50 shareholders or unitholders, as the case may be, and net tangible assets of $5 million or more must also observe the letter and spirit of the general principles and rules set out in the Code. The Code does not apply to take-overs or mergers of other unlisted public companies and unlisted business trusts, or private companies.

The Code applies to all offerors, whether they are natural persons (be they resident in Singapore or not and whether citizens of Singapore or not), corporations or bodies unincorporated (be they incorporated or carrying on business in Singapore or not), and extends to acts done or omitted to be done in and outside Singapore.

Corporations and business trusts with a primary listing in Singapore, public companies and registered business trusts with a primary listing overseas as well as unlisted companies and unlisted registered business trusts with more than 50 shareholders, or unitholders, as the case may be, and net tangible assets of S$5 million or more may apply to the Securities Industry Council to waive the application of the Code. In considering such applications, the Securities Industry Council would take into account, amongst others, the following factors:-

(a) the number of Singapore shareholders or unitholders and the extent of trading in Singapore; and

(b) the existence of protection available to Singapore shareholders or unitholders provided under any statute or code regulating take-overs and mergers outside Singapore.

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APPENDIX B COMPARISON OF SINGAPORE COMPANIES LAW AND MALAYSIAN COMPANIES LAW

The following table sets out a summary of certain differences between the provisions of the laws of Republic of Singapore applicable to our Company (including the Companies Act 1967 of Singapore (the "**Singapore Companies Act**") and the Articles of Association of the Company ("**Articles**") (the Singapore Companies Act and the Articles, collectively, "**Singapore Company Law**") and the laws applicable to Malaysian companies (the references to Malaysian company being to a company as defined by Section 4(1) of the Malaysian Companies Act under the Malaysian Companies Act, but excluding references to Table A of the Malaysian Companies Act) (the "**Malaysian Company Law**")) and their shareholders. Certain other Malaysian legislation including the Securities Industry (Central Depositories) Act 1991 may also contain provisions of a Malaysian Company Law nature. Malaysia also has a separate company law regime pertaining to Labuan offshore companies under the Offshore Companies Act 1990 of Malaysia. The Securities Industry (Central Depositories) Act 1991 and the Offshore Companies Act 1990 of Malaysia together with Malaysian common law and securities law affecting Malaysian companies are not included in the summary of differences unless expressly stated otherwise. The summaries below are not to be regarded as advice on the Singapore Company Law or the differences between it and the laws of any jurisdiction, including, without limitation, the Malaysian Company Law. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the Singapore Company Law as compared to the Malaysian Company Law that may be relevant to prospective investors. The summaries below do not purport to be complete and are qualified in their entirety by reference to the Singapore Companies Act, the Articles of Association of the Company and the Malaysian Company Law. In addition, it should also be noted that the laws applicable to Malaysian companies and Singapore exempted companies may change, whether as a result of proposed legislative reforms to the Malaysian Company Law or the Singapore Company Law, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the Listing Requirements of the Bursa Malaysia Securities Berhad ("**Listing Requirements**"). Among others, in regard to the Malaysian Company Law, various changes have been proposed by the Corporate Law Reform Committee of Malaysia in the Review of Companies Act, 1965 – Final Report which, if implemented, would result in some of the provisions referred to below in the Malaysian Companies Act being modified. Prospective investors are advised to seek independent legal advice.

If you intend to have a detailed review of the relevant laws and regulations of Singapore, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between Singapore and Malaysia or any other jurisdiction, you are recommended to seek independent legal advice.

Please note that definitions used in the Malaysian Companies Act, the Singapore Companies Act and/or the Articles of Association follow that of the Malaysian Companies Act, the Singapore Companies Act and the Articles of Association respectively.

APPENDIX B COMPARISON OF SINGAPORE COMPANIES LAW AND MALAYSIAN COMPANIES LAW (CONT'D)

Malaysian Company Law	Singapore Company Law	Comments on differences
DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED; CONFLICTS OF INTEREST AND OTHER TRANSACTIONS WITH DIRECTORS		
Directors' Disclosure of Interest in Contracts with the Issuer		
Governing Provisions: Section 131 Malaysian Companies Act	Governing Provisions: Section 156 Singapore Companies Act	Both the Singapore Companies Act and the Malaysian Companies Act requires the directors of a company to disclose the nature of his interest in which he is directly or indirectly interested or such transactions which conflict of interest may arise Similar requirement is reflected in our Article 105.1
INTERESTED DIRECTOR NOT TO PARTICIPATE OR VOTE IN BOARD'S PROCEEDINGS		
Governing Provisions: Section 131A(1) Malaysian Companies Act.	No equivalent provision	The Singapore Companies Act does not have a provision that expressly prohibits or restricts an interested director from participating or voting in board proceedings. However, Article 105.2 of our M&A prohibits a director from voting in respect of any contract or arrangement in which he has personal material interest, whether directly or indirectly, except for the circumstances provided in Article 106.
Director's Duties and Conflicts of Interest		
Governing Provisions: Section 132 Malaysian Companies Act specifically Section 132 (1B), 132 (1C), 132 (1D), 132 (E), 132 (IE).	Governing Provisions: Section 157 Singapore Companies Act.	Both the Singapore Companies Act and the Malaysian Companies Act impose a fiduciary duty on a director to act in the interest of the company. Every director by virtue of his office occupies a fiduciary position with respect to the company. The fiduciary relationship is similar to that of a principal and agent relationship. This relationship arises from the fact that a company being an artificial person can only act through the agency of natural persons.

APPENDIX B COMPARISON OF SINGAPORE COMPANIES LAW AND MALAYSIAN COMPANIES LAW (CONT'D)

Malaysian Company Law	Singapore Company Law	Comments on differences
		Such being the case, a company can only act through agents, i.e., its individual directors and its board of directors, and it is the duty of the "agents" to act in the best interest of the company. Accordingly, a director is not permitted to place himself in a situation where his interests conflict with his duty. Duties are imposed upon any person who becomes a director of a company and breaches of these duties may lead to criminal or civil liabilities. Such duties are governed by statute and common law. Such duties include (without limitation) duties of care and skill and duties to act in good faith in the best interest of the company, as well as the statutory duties of the Malaysian Companies Act to exercise his powers for a proper purpose and in good faith and in the best interest of the company and similarly with the Singapore Companies Act to act honestly and to use reasonable diligence in the discharge of the duties of his office at all times. The Singapore Companies Act however, does not provide any express provisions in respect of the responsibility of a "nominee director" as provided for under Section 132(IE) of the Malaysian Companies Act. Under the Singapore Companies Act, "director" is defined to include inter alia "any person occupying the position of director of a corporation by whatever name called". There is also the prohibition against the improper use of company's property, position, corporate opportunity or competing with the company under Section 132(2) of the Malaysian Companies Act in respect of which there is no equivalent provisions in the Singapore Companies Act or the Articles of our Company.
Related Party Transactions		
Governing Provisions: Section132E of the Malaysian Companies Act.	No equivalent provision.	Related party transaction is not provided for in the Singapore Companies Act. The compliance requirements imposed under the Listing Manual of the SGX-ST only applies to a company

APPENDIX B COMPARISON OF SINGAPORE COMPANIES LAW AND MALAYSIAN COMPANIES LAW (CONT'D)

Malaysian Company Law	**Singapore Company Law**	**Comments on differences**
The Malaysian Companies Act restricts transactions or arrangements between the directors or substantial shareholders of a company or its holding company, or persons connected (within the meaning of Section 122A) and the company.	The Singapore Companies Act does not impose compliance requirements relating to transactions with interested persons, which include directors of the issuer.	(regardless whether such company is incorporated in Singapore or elsewhere) listed on the SGX-ST. In this regard, our Articles 115A.1 – 115A.2 makes similar provision to section 132E of the Malaysian Companies Act except Sections 132E(5) and (6). Sections 132E(5) and (6) of the Malaysian Companies Act is procedural in nature and provides for an application to court by a member and Section 132E(6) of the Malaysian Companies Act imposes a penalty on director or substantial shareholder who contravened the section.
Loans to Directors		
Governing Provisions: Section 133 Malaysian Companies Act. In general loans (including guarantees) by a company to its directors are prohibited. The following loans to directors of the company or a related company are not prohibited:- (a) loans by private exempt company; (b) loans to provide funds to meet company expenses; (c) loans for purchasing a home; and (d) loans granted to such directors under employee loan schemes approved in general meeting.	Governing Provisions: s162 Singapore Companies Act. This provision in general prohibits loans (including guarantees) to a director of the company or of a corporation that is deemed to be related to the company save for the following loans which are not prohibited: (a) loans to provide funds to meet company expenditures or to enable him to properly perform his duty as a director; (b) loans for purchasing a home; (c) loans granted to such directors under employee loan schemes approved in general meeting; and (d) loans granted in the ordinary course of the company's business where the company's business includes the lending of money.	The provisions in general prohibits loans (including guarantees) to a director of the company or of a corporation that is deemed to be related to the company. Save for the circumstances provided in Sections 133(1)(a) to (c) and Sections 162(1)(a) to (d) respectively, the Malaysian Companies Act and Singapore Companies Act prohibits loan to a director. Both the Singapore Companies Act and the Malaysian Companies Act allows for loan to be made to its directors, with consent of members in general meeting, for the purchase of home.

APPENDIX B COMPARISON OF SINGAPORE COMPANIES LAW AND MALAYSIAN COMPANIES LAW (CONT'D)

Malaysian Company Law	Singapore Company Law	Comments on differences
DIRECTOR'S POWER TO VOTE ON REMUNERATION (INCLUDING PENSION OR OTHER BENEFITS) FOR HIMSELF OR FOR ANY OTHER DIRECTOR; AND WHETHER THE QUORUM AT A MEETING OF THE BOARD OF DIRECTORS MAY INCLUDE THE DIRECTOR WHOSE REMUNERATION IS THE SUBJECT OF THE VOTE		
Remuneration of Directors		
Governing Provisions: Section 128(7) and 137 Malaysian Companies Act.	Governing Provisions: Section 169 Singapore Companies Act.	Both the Singapore Companies Act and the Malaysian Companies Act do not provide restriction or limitation to the remuneration of directors, so long as it has been approved by the members. The Articles of our Company (namely Article 102.1, 102.2, 102.3, 102.4, 102.5, 103 and 114 and the Listing Requirements contain provisions relating to remuneration and compensation for loss of office of director of the Company and its subsidiaries.
BORROWING POWERS EXERCISABLE BY DIRECTORS AND HOW SUCH POWERS MAY BE VARIED		
No specific provisions.	No specific provisions.	Both the Singapore Companies Act and the Malaysian Companies Act do not have any express direct provisions on the borrowing powers exercisable by directors but both the Singapore Companies Act and the Malaysian Companies Act provide that directors may exercise all the powers of the company except those that are required by the respective Acts and the Memorandum and Articles of Association to exercise by members of the company. Article 62.1 and 62.2 of our M&A provides for the same. The Listing Requirements however provide that the scope of the borrowing powers of the board of directors shall be expressed.
QUALIFICATION, APPOINTMENT AND RETIREMENT OR NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT		
Governing Provisions: Section 122, 126 and 129 Malaysian Companies Act.	Governing Provisions: Section 145, 152 and 153 Singapore Companies	The general principles relating to the effect of appointment, retirement and age limit are similar.