

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

1. Basis of accounting and changes in accounting estimates

a) Basis of accounting

The interim financial statements are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (“IAS”) 34 : Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the Group’s audited combined financial statements for the financial year ended 31 December 2009, financial period ended 30 June 2010, our Prospectus dated 15 October 2010 and the accompanying explanatory notes attached to this interim financial report.

b) Changes in accounting policies

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods after 1 January 2010.

The management does not anticipate that the adoption of the above IFRSs (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

2. Seasonality or cyclicity of operation

The business of the Group is generally affected by seasonal factors where quarter 1 and quarter 4 being the best quarter for wine sector in the Peoples Republic of China (PRC) when consumers tend to purchase and drink more wines during the Lunar New Year, Christmas and New Year.

3. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

4. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

5. Changes in share capital and debts

Save as disclosed as below in our Prospectus dated 15 October 2010, there were no issuances, cancellations, resale and repayments of debt and equity securities for the current financial year to date.

Date	Particulars	Number of Shares	RM ('000)
12/01/2009	Incorporation	1	0
23/03/2009	Issue with cash paid	99	0
28/11/2009	Subdivision of 100 Shares to	500,000,000	0

	500,000,000		
16/09/2010	Issuance of Shares pursuant to conversion of convertible notes	35,450,000	13,498
01/11/2010	Issue pursuant to the Public Issue	132,550,000	75,764*
		668,000,000	89,262

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

6. Dividends

No dividend was paid during the quarter under review.

As disclosed in the Prospectus dated 15 October 2010, our Board intends to recommend and distribute 35% of our net profit attributable to our shareholders for the Financial Year Ended 31 December 2010 as dividend.

7. Segment Information

30 September 2010	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
Revenue			
Sales to external customers	42,714	272,189	314,903
	<u>42,714</u>	<u>272,189</u>	<u>314,903</u>
Results			
Segment gross profit	23,187	159,239	182,426
	<u>23,187</u>	<u>159,239</u>	<u>182,426</u>
Unallocated expenses, net			(54,463)
Interest income			128
Interest expense			(3,039)
			<u>(57,374)</u>
Profit before tax			125,052
Income tax expense			(20,008)
			<u>(20,008)</u>
Net profit			<u>105,044</u>
Other Segment Information			
	International Label RMB'000	Own Label RMB'000	Total RMB'000
Revenue			
Sales to external customers	77,479	237,424	314,903
	<u>77,479</u>	<u>237,424</u>	<u>314,903</u>

8. Subsequent events

Save as disclosed under notes A5 and B8, there were no material events subsequent to the end of the financial period under review that have not been reflected in this quarterly report as at the date of this report. The Group is listed on the Main Market of Bursa Malaysia Securities Berhad on 03 November 2010.

9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

10. Contingent liabilities or assets

No material contingent liabilities and assets, which upon becoming enforceable may have a material effect on the financial position of the Group since the last annual balance sheet date.

11. Valuation of Property, plant and equipment

There were no revaluation of property, plant and equipment during the current quarter under review.

12. Capital commitments

No material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of the Group for the current quarter under review.

B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

For the current quarter, the Group recorded revenue of RMB85.6 million, representing a 22% increase from RMB66.8 million and profit after taxation of RMB27.0 million, an increase of 9% from RMB24 million, both from the corresponding quarter in 2009.

For the financial period year-to-date, revenue rose 23% to RMB314.9 million from RMB244 million in 2009 and a 17% increment in the profit after taxation from RMB87 million to RMB105 million.

The above growth are very much in tandem with the sector growth for wine businesses in the Peoples' Republic of China.

2. Variation of results against immediate preceding quarter

No applicable as this is the first set of interim financial report to Bursa Malaysia Securities Berhad.

3. Prospects for FYE 2010

For the wine market in PRC, it was estimated at RMB28.27 billion in 2009, an increase of 37.7% over the previous year and with a CAGR during the period of 2005 to 2009 stood at 26.5% and it was the highest amongst the alcoholic beverage segment such as beer, PRC Spirit (Bai Jiu) and Yellow Wine. 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 along with other market drivers, Grape wine is expected to continue gaining popularity and acceptance amongst Chinese consumers.

As such, for wine producer and brand label whose main markets are in PRC like us would be in a better position to ride through the above mentioned advantages and our Board is optimistic about the prospects of our Group, and the outlook of the PRC wine sector for the remaining period to the end of the financial year.

4. Profit forecast and guarantee

No profit forecast or guarantee were previously announced and disclosed by the Group in a public document.

5. Income tax charge

Current Quarter		Current Year-to-date	
RMB'000	RM'000	RMB'000	RM'000

PRC income tax	3,898	1,799	20,008	9,234
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The effective tax rate of the Group for the current quarter and for the financial year-to-date was 12.5% as compared to the current PRC Corporate Income Tax (CIT) rate of 25.0%. The lower effective tax rate was due to our only subsidiary Yantai Fazenda Ouhua Winery Co., Ltd enjoying its last (fifth) year with 50% reduction for CIT rate at 12.5% up to 31 December 2010 under Regular Tax Reduction and Exemption Treatment.

6. Sales of unquoted investments and/or properties

No sales of unquoted investments and/or properties of the Group in the current quarter and financial year-to-date.

7. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the current quarter and financial year-to-date.

8. Status of corporate proposals and utilisation of proceeds

In conjunction with, and as an integral part of our Listing, we undertook the Listing Scheme which primary involves the following: -

(a) IPO

(i) Public Issue

Our Group has implemented 8,000,000 public issue shares via public offering on 26 November 2010.

(ii) Listing

Subsequent to the Public Issue, our Group sought the listing of and quotation for its entire enlarged issued and paid-up share capital of 668,000,000 on Main Market of Bursa Securities on 3 November 2010.

(b) Utilisation of proceeds

The Public Issue was to raise gross proceeds of RM79.53 million, which shall accrue to us and we intend to utilise the proceeds raised in the following manner: -

Details of utilisation	Timeframe for utilisation upon Listing	Amount (RM'000)
Expansion of our market presence and distribution network, in particular Fazenda Ohua specialty stores	Within 24 months	35,788
Enhance the quality of and control over our materials supplies	Within 24 months	7,952
Expansion of our production capacity and range of wines	Within 24 months	11,930

Enhance R&D Capabilities	Within 24 months	3,977
Working Capital	Within 12 months	9,544
Estimated listing expenses	Upon Listing	10,339
Total		79,530

9. Group borrowings and debts securities

Our Group has no borrowings and debts securities as at the reporting date of the quarter under review.

10. Off-balance sheet financial instruments risks

As at the date of this report, we do not have nor are we using any financial instruments.

11. Changes in material litigation

As at the date of this report, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors do not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

12. Earnings per share

For the quarter under review, basic and diluted earnings per share are calculated based on the final enlarged share capital of 668,000,000 ordinary shares to be issued and floated (on Main Market of Bursa Malaysia Securities Berhad), and profit attributable to equity holders. For the corresponding period, number of shares in issue were 500,000,000.

13. Audit report of the Group's preceding annual and immediate financial statements

Our Group's audited financial statements for the financial year ended 31 December 2009 and financial period ended 30 June 2010 were not subject to any audit qualification.