欧华庄园
FAZENDAOHUA

A. NOTES TO THE QUARTERLY RESULTS

1. Basis of accounting and changes in accounting policies

a) Basis of accounting

The condensed consolidated financial statements for the financial period ended 31 March 2012 are unaudited and have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

The condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to this financial report.

b) Changes in accounting policies

At the date of this report, the Group has adopted certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 January 2012

The directors do not anticipate that the adoption of the new standards (including consequential amendments) and interpretations will result in any material impact to the financial statements.

2. Seasonality or cyclicality of operation

The business of the Group is generally affected by seasonal factors. Usually the first and fourth quarters of the year are the best quarters for wine industry in the People's Republic of China ("PRC"). Consumers tend to purchase and drink more wines during the festive periods of Christmas, New Year and the Lunar New Year. In view of the recent slowdown in the PRC's economic activities and coupled with rising consumer price index which have temporarily distorted the dynamic of domestic winery industries.
Therefore, the recent quarter under review and its preceding quarter, the revenues did not truly reflect their seasonal factors.

3. Unusual items due to nature, size or incidence

There were no unusual items due to nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial fourth quarter ended 31 March 2012.

4. Changes in estimates

There were no material changes in estimates for the financial first quarter ended 31 March 2012.

5. Trade and other receivables

RMB50 million loan included in Trade and other receivables at the end of financial year 2011 has been repaid by 27th March 2012.

6. Changes in share capital and debts

There were no issuances, cancellations, resale and repayments of debt and equity securities for the financial first quarter ended 31 March 2012.

7. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 31 March 2012.

8. Segment Information

a) **Operating segments**

3 months ended 31 March 2012	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
Revenue			
Sales to external customers	8,847	46,266	55,113
Results			
Segment gross profit	4,068	21,664	25,732
Unallocated expenses, net			(15,335)
Interest income			1,051
Interest expense			-
Profit before tax			11,448
Income tax expense			(3,461)
Net profit			7,987

3 months ended 31 March 2011	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
Revenue			
Sales to external customers	22,441	136,077	158,518
Results			
Segment gross profit	12,495	72,785	85,280
Unallocated expenses, net			(21,726)
Interest income			295
Interest expense			-
Profit before tax			63,849
Income tax expense			(19,950)
Net profit			43,899

Other segment information

3 months ended 31 March2012	International Label RMB'000	Own Label RMB'000	Total RMB'000
Revenue			
Sales to external customers	14,736	40,377	55,113

3 months ended 31 March 2011	International Label RMB'000	Own Label RMB'000	Total RMB'000
Revenue			
Sales to external customers	60,759	97,759	158,518

b) Geographical segments

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operation is presented.

9. Subsequent events

There were no material events subsequent to the end of the financial period under review that have not been reflected in this first quarter report as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial first quarter ended 31 March 2012.

11. 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 statement of financial position date.

12. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the financial first quarter ended 31 March 2012.

13. Capital commitments

There are no material commitments for capital expenditure, which upon becoming enforceable, may have a material effect on the financial position of the Group for the financial first quarter ended 31 March 2012.

14. Retained Earnings

The breakdown of retained profits of the Group as at the respective reporting dates is as follows:

	As at 31 Dec 2011		As at 31 Mar 2012	
	RMB'000	**RM'000**	**RMB'000**	**RM'000**
Realised retained profits:	334,603	162,982	342,212	166,688
Unrealised retained profits:	(4,592)	(2,237)	(4,592)	(2,237)
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Total group retained profits:	330,011	160,745	337,620	164,451
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15. Recurring related party transactions

For the financial first quarter ended 31 March 2012, the Group rented office and factory premises from a director-related company, Yantai Ouhua Winery Co., Ltd, with rental expense amounting to RMB 436,500.

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

1. Review of the performance of the Group

For the financial first quarter ended 31 March 2012, the Group recorded revenue of RMB55.11 million, representing a 65.23% decrease from RMB158.52 million and profit before tax (PBT) of RMB11.45million, a decrease of 82.07% from RMB63.85 million, both from the corresponding period ended 31 March 2011. Meanwhile, the Group registered a profit after tax (PAT) of RMB7.99 million, representing a decrease of 81.21% from RMB42.52 million, compared to the corresponding period ended 31 March 2011.

The decrease in revenue, profit before tax (PBT) and profit after tax (PAT) is mainly due to the intensifying competition on the local winery market. In addition, the amount of imported bottled wine is increasing, which made the sales volume of the local brand wine decreased seriously.

2. Prospects

Due to the slowdown of China economic development, the consumer power and the consumer psychology are severely affected, leading to the entire local winery consumer market was severely affected. Our performance and that of the entire local winery business declined along with the deteriorating environment of local winery industries.

In order to overcome current situation, the Group has devised several new strategies and made efforts in our brand promoting and marketing expansion activities in the first quarter of 2012. We set up a new development plan with our agents, which will focus on reinforcing our existing market and exploring new market. We also intensified our sourcing activities on imported wines to sell more international wines in China to increase the overall sales performance of the Group

3. Profit forecast and guarantee

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

4. Income tax charge

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
PRC income tax	3,461	1,685	3,461	1,685

5. Sales of unquoted investments and/or properties

There are no sales of unquoted investments and/or properties of the Group in the current quarter and financial first quarter ended 31 March 2012.

6. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the financial first quarter ended 31 March 2012.

7. Status of corporate proposals and 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	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended timeframe	Deviation RM'000	Deviation %
Expansion of our market presence and distribution network, in particular FazendaOhua specialty stores	35,788	35,788	By 2 Nov 2012	-	0
Enhance the quality of and Control over our material supplies	7,952	-	By 2 Nov 2012	7,952	100
Expansion of our production Capacity and range of wines	11,930	11,930	By 2 Nov 2012	-	0
Enhance R&D capabilities	3,977	-	By 2 Nov 2012	3,977	100
Working capital	9,544	12,993	By 2 Nov 2012	(3,449)	(36)
Estimated listing expenses	10,339	6,890	By 2 Nov 2012	3,449	33
Total	**79,530**	**67,601**			

The listed expenses incurred was RM6.89 million. The excess of RM3.449 million as compared to the estimated listing expenses of RM10.339 was utilised for working capital purposes.

8. Group borrowings and debts securities

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

9. Off-balance sheet financial instruments risks

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

10. 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.

11. Earnings per share

Earnings per share for 31 March 2012 and 31 March 2011 were computed by dividing the profit net of tax and minority interests of the respective financial period by the weighted average number of ordinary shares of 668,000,000 each respectively. There was no potential dilutive instrument as at 31 March 2012.

12. 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 2011 were not subject to any audit qualification.