

## 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 30 September 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 cyclicity 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.

### 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 third quarter ended 30 September 2012.

### 4. Changes in estimates

There were no material changes in estimates for the financial third quarter ended 30 September 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 third quarter ended 30 September 2012.

## 7. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 30 September 2012.

## 8. Segment Information

### a) Operating segments

	White Wine	Red Wine	Total
<u>9 months ended 30 September 2012</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers	26,629	101,952	128,581
<b>Results</b>			
Segment gross profit	11,485	43,972	55,457
Unallocated expenses, net			(40,888)
Interest income			1,561
Interest expense			-
Profit before tax			16,130
Income tax expense			(5,162)
Net profit			10,968

	White Wine	Red Wine	Total
<u>9 months ended 30 September 2011</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers	60,755	256,183	316,938
<b>Results</b>			
Segment gross profit	31,912	134,561	166,473
Unallocated expenses, net			(63,326)
Interest income			1,008
Interest expense			-
Profit before tax			104,155
Income tax expense			(30,197)
Net profit			73,958

### Other segment information

	International Label	Own Label	Total
<u>9 months ended 30 September 2012</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers	38,119	90,462	128,581
<u>9 months ended 30 September 2011</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers	108,539	208,399	316,938

**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 third 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 third quarter ended 30 September 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 third quarter ended 30 September 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 third quarter ended 30 September 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 30 Sep 2012	
	RMB'000	RM'000	RMB'000	RM'000
Realised retained profits:	334,603	162,982	340,627	164,768
Unrealised retained profits:	(4,592)	(2,237)	(4,592)	(2,221)
	-----	-----	-----	-----
Total group retained profits:	330,011	160,745	336,035	162,547
	=====	=====	=====	=====

## 15. Recurring related party transactions

For the financial third quarter ended 30 September 2012, the Group rented office and factory premises from a director-related company, Yantai Ouhua Winery Co., Ltd, with rental expense amounting to RMB 1,309,500.

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

### 1. Review of the performance of the Group

For nine months ended 30 September 2012 (“**9M2012**”), the Group revenue decreased by RMB188.36 million or 59.43% to RMB128.58 million, from RMB316.94 million in the previous corresponding period ended 30 September 2011 (“**9M2011**”). Profit before tax decreased by RMB88.02 million or 84.51% from RMB104.16 million in 9M2011 to RMB16.13 million in 9M2012. Meanwhile, the Group profit after tax decreased by RMB62.99 million or 85.17% from RMB73.96 million in 9M2011 to RMB10.97 million in 9M2012.

For three months ended 30 September 2012 (“**3Q2012**”), the Group revenue decreased by RMB37.17 million or 52.02% to RMB34.29 million, from RMB71.46 million in the previous corresponding period ended 30 September 2011 (“**3Q2011**”). Profit before tax decreased by RMB10.33 million or 85.02% from RMB12.15 million in 3Q2011 to RMB1.82 million in 3Q2012. Meanwhile, the Group profit after tax decreased by RMB7.37 million or 87.12% from RMB8.46 million in 3Q2011 to RMB1.09 million in 3Q2012.

The decrease in revenue, profit before tax (PBT) and profit after tax (PAT) from the corresponding quarter in 2011 is mainly due to the intensifying competition on the local winery market and the increasing amount of imported bottled wine. Moving in tandem with the general sluggish trend of local winery business, the revenue, profit before tax (PBT) and profit after tax (PAT) of the third quarter ended 30 September 2012 were rather stable when compared with the immediate preceding second quarter ended 30 June 2012.

### 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 past three quarters of 2012. We set up a new development plan with our agents, which will focus on reinforcing our existing market and wait for the good development opportunity. 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. In the third quarter 2012, we increased investment on network marketing to expand sales channel. We also put efforts on improving the capability of new varieties research and development.

### 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	724	350	5,162	2,497

### 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 third quarter ended 30 September 2012.

### 6. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the financial third quarter ended 30 September 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	%
Expansion of our market presence and distribution network, in particular Fazenda Ohua specialty stores	35,788	35,788	By 2 Nov 2012		0
Enhance the quality of and Control over our material supplies	7,952	7,952	By 2 Nov 2012		0
Expansion of our production Capacity and range of wines	11,930	11,930	By 2 Nov 2012		0
Enhance R&D capabilities	3,977	3,977	By 2 Nov 2012		0
Working capital	9,544	12,993	By 2 Nov 2012	(3,449)	(36)
Estimated listing expenses	<u>10,339</u>	<u>6,890</u>	By 2 Nov 2012	3,449	33
<b>Total</b>	<b><u>79,530</u></b>	<b><u>79,530</u></b>			

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 third 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 in any legal proceedings which may materially affect the financial position of our Group, and our Directors are not aware of any legal 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 30 September 2012 and 30 September 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 30 September 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.