

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 year ended 31 December 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 fourth quarter ended 31 December 2012.

4. Changes in estimates

There were no material changes in estimates for the financial fourth quarter ended 31 December 2012.

5. Changes in share capital and debts

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

6. Dividends Payable

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

7. Segment Information

a) Operating segments

| | White Wine | Red Wine | Total |
|---|------------|----------|-----------|
| <u>12 months ended 31 December 2012</u> | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | |
| Sales to external customers | 32,365 | 123,135 | 155,500 |
| Results | | | |
| Segment gross profit | 12,885 | 52,855 | 65,740 |
| Unallocated expenses, net | | | (58,680) |
| Interest income | | | 1,791 |
| Interest expense | | | - |
| Profit before tax | | | 8,851 |
| Income tax expense | | | (8,953) |
| Net profit | | | (102) |
| <u>12 months ended 31 December 2011</u> | White Wine | Red Wine | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | |
| Sales to external customers | 73,888 | 320,280 | 394,168 |
| Results | | | |
| Segment gross profit | 38,331 | 166,606 | 204,937 |
| Unallocated expenses, net | | | (115,238) |
| Interest income | | | 1,259 |
| Interest expense | | | - |
| Profit before tax | | | 90,958 |
| Income tax expense | | | (31,022) |
| Net profit | | | 59,936 |

Other segment information

| | International Label | Own Label | Total |
|---|---------------------|-----------|---------|
| <u>12 months ended 31 December 2012</u> | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | |
| Sales to external customers | 52,886 | 102,614 | 155,500 |
| <u>12 months ended 31 December 2011</u> | International Label | Own Label | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | |
| Sales to external customers | 142,722 | 251,446 | 394,168 |

b) Geographical segments

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

8. Subsequent events

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

9. Changes in the composition of the Group

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

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 statement of financial position date.

11. Valuation of property, plant and equipment

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

12. 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 fourth quarter ended 31 December 2012.

13. 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 Dec 2012 | |
|-------------------------------|-------------------|---------|-------------------|---------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| Realised retained profits: | 334,599 | 163,502 | 333,399 | 162,916 |
| Unrealised retained profits: | (4,588) | (2,242) | (3,560) | (1,740) |
| | ----- | ----- | ----- | ----- |
| Total group retained profits: | 330,011 | 161,260 | 329,839 | 161,176 |
| | ===== | ===== | ===== | ===== |

14. Recurring related party transactions

For the financial year ended 31 December 2012, the Group rented office and factory premises from a director-related company, Yantai Ouhua Winery Co., Ltd, with rental expense amounting to RMB 756,000.

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

1. Review of the performance of the Group

For the financial year ended 31 December 2012 (“12M2012”), the Group revenue decreased by RMB238.67 million or 60.55% to RMB155.5 million, from RMB394.17 million in the previous corresponding period ended 31 December 2011 (“12M2011”). Profit before tax decreased by RMB82.11 million or 90.27% from RMB90.96 million in 12M2011 to RMB8.85 million in 12M2012. Meanwhile, the Group profit after tax decreased by RMB60.04 million or 100.17% from RMB59.94 million in 12M2011 to RMB-0.1 million in 12M2012.

For three months ended 31 December 2012 (“4Q2012”), the Group revenue decreased by RMB50.31 million or 65.14% to RMB26.92 million, from RMB77.23 million in the previous corresponding period ended 31 December, 2011 (“4Q2011”). Loss before tax decreased by RMB5.92 million or 44.84% from RMB-13.20 million in 4Q2011 to

RMB-7.28 million in 4Q2012. Meanwhile, the Group’s net loss for the quarter decreased by RMB2.95 million or 21.05% from RMB-14.02 million in 4Q2011 to RMB-11.07 million in 4Q2012.

The decrease of sales, profit before tax (PBT) and profit after tax (PAT) from the corresponding year in 2011 is mainly due to the intensifying competition on the local winery market and the increasing amount of imported bottled wine. The corporate income tax adjustment RMB4.39million for over listing marketing and distribution expenses contribute to the further decrease of the profit after tax (PAT) from the corresponding year in 2011.

2. Prospects

Due to the slowdown of China economic development, the consumer consumption power and the consumer psychology are shifting which severely affect the entire local winery market. Our performance and that of the entire local winery business declined along with the economic environment.

In order to overcome current situation, the Group is taking a steady strategic policy and conservative approach on market expansion. We will make several strategies and efforts in our brand promoting and marketing expansion activities. We will set up new development plan with our agents, which will focus on reinforcing our existing market. We also intensify our sourcing activities on imported wines and sell more international wines in China to increase the overall sales performance of the Group.

In 2013, we will increase investment on network marketing to expand sales channel and promote our band to meet the expectation of the ordinary consumers. We also put efforts on improving the capability of our research and development. We will make all our efforts to cope with the declining of our profits and make the company live through the temporary difficult phase caused by severe competition from imported and local market. We will pay close attention to influences that related government policy bring to the winery market and look for good development opportunity.

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 | 3,791 | 1,853 | 8,953 | 4,375 |

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 fourth quarter ended 31 December 2012.

6. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the financial fourth quarter ended 301 December 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 FazendaOhua 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 |
| Total | <u>79,530</u> | <u>79,530</u> | | | |

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 fourth 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 31 December 2012 and 31 December 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 December 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.