

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 2013 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 2012 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 2013

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. Due to the current unfavourable global and domestic market conditions, the sales did not pick up during the above mentioned period and the fluctuation is not obviously manifested.

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 2013.

4. Changes in estimates

There were no material changes in estimates for the financial third quarter ended 30 September 2013.

5. 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 2013.

6. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 30 September 2013.

7. Segment Information

a) Operating segments

	White Wine	Red Wine	Total
<u>9 months ended 30 September 2013</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers	6,467	24,958	31,425
Results			
Segment gross profit	1,440	6,883	8,323
Unallocated expenses, net			(26,430)
Interest income			1,106
Interest expense			-
Loss before tax			(17,001)
Income tax expense			
Net loss			(17,001)
	White Wine	Red Wine	Total
<u>9 months ended 30 September 2012</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers	26,629	101,952	128,581
Results			
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

Other segment information

	International Label	Own Label	Total
<u>9 months ended 30 September 2013</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers	9,189	22,236	31,425
	International Label	Own Label	Total
<u>9 months ended 30 September 2012</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers	38,119	90,462	128,581

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 third 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 third quarter ended 30 September 2013.

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 third quarter ended 30 September 2013.

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 third quarter ended 30 September 2013.

13. Retained Earnings

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

	As at 31 Dec 2012		As at 30 Sep 2013	
	RMB'000	RM'000	RMB'000	RM'000
Realised retained profits:	333,400	177,567	316,330	167,870
Unrealised retained profits:	(3,560)	(1,889)	(3,560)	(1,889)
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Total group retained profits:	329,840	175,678	312,770	165,981
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14. Recurring related party transactions

For the financial third quarter ended 30 September 2013, the Group rented office and factory premises from a director-related company, Yantai Ouhua Winery Co., Ltd, with rental expense amounting to RMB 567,000.

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 2013 ("9M2013"), the Group revenue decreased by RMB97.16million or 75.56% to RMB31.42 million, from RMB128.58 million in the previous corresponding period ended 30 September 2012 ("9M2012"). Profit before tax decreased by RMB33.13 million or 205.39% from RMB16.13 million in 9M2012 to RMB-17 million in 9M2013. Meanwhile, the Group profit after tax decreased by RMB27.97million or 254.97% from RMB10.97 million in 9M2012 to RMB-17 million in 9M2013.

For the current quarter, the Group recorded a revenue decrease of RMB24.77 million from RMB34.29 million to RMB5.89 million and an increase in loss net of tax of RMB8.4million from RMB1.82 million to RMB-6.58 million, both from the immediate preceding quarter ended 30 June 2013.

The decrease of sales as compared with the corresponding period in 2012 is mainly due to the continuous downward trends of the whole winery market in PRC, which lead to the further sales decrease of the grape wine.

2. Prospects

Due to the current challenging global and domestic market conditions, coupled with various unfavourable measures introduced by the Chinese government to curb drink driving, promote frugal spending lifestyle and substantial reduction on its entertainment budget expenses, the consumption of the grape wine has been seriously affected and consequently led to a huge decrease in sales of the winery industry throughout the country. The decrease has been going on along with these unfavourable measures' continuous executing. We envisaged that the downward trend is likely to continue in the near future.

Facing with the unavoidable sluggish external market environment, the Group will continue remaining steadfast and adopting conservative approach in our overall strategy. We reduce our winery production in line with the current poor market demand and at the same time we continue with the necessary on-going promotion campaigns with our distributors to at least maintain our market share whilst waiting for the favourable turn of the winery market.

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	-	-	-	-

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 2013.

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 2013.

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 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. (Loss)/Earnings per share

(Loss)/Earnings per share for 30 September 2013 and 30 September 2012 were computed by dividing the (loss)/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 2013.

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 2012 were not subject to any audit qualification.