

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUA
 Financial Period End : 31 MAR 2014
 Quarter : 1



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MAR 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER
		31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
		RMB'000	RMB'000	RM'000	RM'000
Revenue		2,604	17,528	1,277	8,598
Cost of sales		(2,698)	(11,714)	(1,323)	(5,746)
Gross Profit		(94)	5,814	(46)	2,852
Finance and other income		206	675	101	331
Marketing and distribution		(6,684)	(4,414)	(3,279)	(2,165)
Administrative expenses		(5,897)	(6,862)	(2,893)	(3,366)
Other expense		(4)	(32)	(2)	(16)
(Loss)/profit before tax		(12,473)	(4,819)	(6,118)	(2,364)
Income tax expenses	B4	-	-	-	-
(Loss)/profit net of tax		(12,473)	(4,819)	(6,118)	(2,364)
Other comprehensive Income:					
Foreign currency translation		-	-	-	-
Total comprehensive (loss)/income for the period		(12,473)	(4,819)	(6,118)	(2,364)
(Loss)/profit attributable to :					
- Owners of the parent		(11,858)	(4,584)	(5,816)	(2,248)
- Non-controlling interests		(615)	(235)	(302)	(115)
		(12,473)	(4,819)	(6,118)	(2,364)
Total comprehensive (loss)/income attributable to :					
- Owners of the parent		(11,858)	(4,584)	(5,816)	(2,248)
- Non-controlling interests		(615)	(235)	(302)	(115)
		(12,473)	(4,819)	(6,118)	(2,364)
(Loss)/earnings per share from Group's net (loss)/profit attributable to shareholders	B11				
Basic (RMB cents / RM sen)		(1.78)	(0.69)	(0.87)	(0.34)
Diluted (RMB cents / RM sen)		(1.78)	(0.69)	(0.87)	(0.34)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.)

Note:

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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
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 Quarter : 1



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MAR 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
		YEAR TO DATE	YEAR TO DATE	YEAR TO DATE	YEAR TO DATE
		ENDED	ENDED	ENDED	ENDED
		31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
		RMB'000	RMB'000	RM'000	RM'000
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(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.)

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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUA
 Financial Period Ended : 31 MAR 2014
 Quarter : 1
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MAR 2014



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAR 2014

PARTICULARS	NOTE	UNAUDITED	AUDITED	UNAUDITED	AUDITED
		AS AT 31-Mar-14 RMB'000	AS AT 31-Dec-13 RMB'000	AS AT 31-Mar-14 RM'000	AS AT 31-Dec-13 RM'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		63,149	64,847	30,975	31,808
Biological assets		73,304	71,753	35,956	35,196
Prepayments		7,084	7,136	3,475	3,500
		<u>143,537</u>	<u>143,736</u>	<u>70,406</u>	<u>70,504</u>
Current assets					
Inventories		96,540	80,482	47,354	39,477
Trade and other receivables		56,685	57,921	27,805	28,411
Prepayments		121,916	118,800	59,801	58,273
Cash and cash equivalents		90,459	121,755	44,371	59,723
		<u>365,600</u>	<u>378,958</u>	<u>179,330</u>	<u>185,883</u>
Current liabilities					
Trade and other payables		9,746	9,874	4,780	4,842
Other liabilities		505	1,461	248	717
		<u>10,251</u>	<u>11,335</u>	<u>5,027</u>	<u>5,559</u>
Net current assets		<u>355,349</u>	<u>367,623</u>	<u>174,303</u>	<u>180,324</u>
Non-current liability					
Deferred tax liabilities		15,299	15,299	7,504	7,504
Net assets		<u>483,587</u>	<u>496,060</u>	<u>237,205</u>	<u>243,323</u>
EQUITY					
Share capital		205,838	205,838	100,966	100,966
Other reserve		30,531	30,531	14,976	14,976
Retained earnings		228,774	240,632	112,216	118,032
Non-controlling interests		18,444	19,059	9,047	9,349
Total equity		<u>483,587</u>	<u>496,060</u>	<u>237,205</u>	<u>243,323</u>

Net Assets per share attributable to equity holders of the Group (RMB / RM) 0.72 0.74 0.35 0.36

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.)

Note:

The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.49051 as at 31 Dec 2013.



Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED

Stock Name : CNOUHUA

Financial Period Ended : 31 MAR 2014

Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MAR 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of The Group						Total Equity RMB'000
	Share Capital RMB'000	Statutory Reserve funds RMB'000	Other capital reserves RMB'000	Retained Earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000	
<i>(IN RMB)</i>							
At 1 January 2014	205,838	29,508	1,023	240,632	19,059	477,001	496,060
(Loss)/profit and other comprehensive(loss)/profit for the year	-	-	-	(11,858)	(615)	(11,858)	(12,473)
At 31 March 2014	205,838	29,508	1,023	228,774	18,444	465,143	483,587
<i>(IN RM)</i>							
At 1 January 2014	100,966	14,474	502	118,032	9,349	233,974	243,322
(Loss)/profit and other comprehensive(loss)/profit for the year	-	-	-	(5,816)	(302)	(5,816)	(6,118)
At 31 March 2014	100,966	14,474	502	112,216	9,047	228,158	237,205

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.)

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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED

Stock Name : CNOUHUA

Financial Period Ended : 31 MAR 2014

Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MAR 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Attributable to Equity Holders of The Group				Total Equity
	RMB'000	RMB'000	Statutory Reserve funds RMB'000	Foreign currency translation reserves RMB'000	Other capital reserves RMB'000	Retained Earnings RMB'000	
(IN RMB)							
At 1 January 2013	205,838	-	29,508	-	1,023	329,840	589,917
Profit for the period	-	-	-	-	(4,584)	(4,584)	(4,819)
At 31 March 2013	205,838	-	29,508	-	1,023	325,256	585,098
(IN RM)							
At 1 January 2013	100,966	-	14,474	-	502	161,790	289,361
Profit for the period	-	-	-	-	(2,248)	(2,248)	(2,364)
At 31 March 2013	100,966	-	14,474	-	502	159,541	286,997

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.)

Note:

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CURRENT YEAR TO DATE 31-Mar-14 RMB'000	PRECEDING CORRESPONDING YEAR TO DATE 31-Mar-13 RMB'000	CURRENT YEAR TO DATE 31-Mar-14 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE 31-Mar-13 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	(12,473)	(4,819)	(6,118)	(2,364)
Adjustments for :-				
Amortisation of prepayments	52	52	26	26
Depreciation of property, plant and equipment	1,698	2,753	833	1,350
Depreciation of biological assets	1,259	523	618	257
Impairment of biological assets	-	-	-	-
Provision for bad debts	-	-	-	-
Interest income	(100)	(680)	(49)	(334)
Operating profit before working capital changes	(9,564)	(2,171)	(4,691)	(1,064)
<i>Decrease/(increase) in:</i>				
Inventories	(16,058)	5,077	(7,877)	2,490
Trade and other receivables	(1,880)	15,545	(922)	7,624
<i>(Decrease)/increase in:</i>				
Trade and other payables	(128)	(2,316)	(63)	(1,136)
Other liabilities	(956)	(148)	(469)	(73)
Cash flows generated from/(used in) operations	(28,586)	15,987	(14,022)	7,842
Income tax paid	-	-	-	-
Interest income received	100	680	49	334
Net cash flows generated from/(used in) operating activities	(28,486)	16,667	(13,973)	8,175
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-	-	-	-
Loan repaid from Third Party	-	-	-	-
Short-term investment recovered	-	100,000	-	49,051
Purchase of biological assets	(2,810)	(2,921)	(1,378)	(1,433)
Net cash flow generated from/(used in) investing activities	(2,810)	97,079	(1,378)	47,618
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders	-	-	-	-
Dividends paid to non controlling-interests	-	-	-	-
Dividend recovered	-	-	-	-
Net cash flows used in financing activities	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,296)	113,746	(15,351)	55,794
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	121,755	142,526	59,722	69,910
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	90,459	256,272	44,371	125,704
Cash and cash equivalents at the end of the period comprise the followings:				
Cash on hand and at banks	90,459	256,272	44,371	125,704
	90,459	256,272	44,371	125,704

(The accompanying explanatory notes form an integral part of and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012)

Note:

The functional and presentation currency of this unaudited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.49051 as at 31 Dec 2013.

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 2014 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 2013 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 2014

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 first quarter ended 31 March 2014.

4. Changes in estimates

There were no material changes in estimates for the financial first quarter ended 31 March 2014.

5. Prepayments in Current assets

The prepayments in current assets include RMB118.80 million, which is two payments for acquisition by Yantai Fazenda Ouhua Winery Co., Ltd, of all that land and buildings located at No. 3, Wolong North Road, Yantai City that has been used for a total cash consideration of RMB132million.

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 2014.

7. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 31 March 2014.

8. Segment Information

a) Operating segments

<u>3 months ended 31 March 2014</u>	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
Revenue			
Sales to external customers	453	2,151	2,604
Results			
Segment gross profit	(18)	(76)	(94)
Unallocated expenses, net			(12,479)
Interest income			100
Interest expense			-
Loss before tax			(12,473)
Income tax expense			-
Net loss			(12,473)
	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
<u>3 months ended 31 March 2013</u>			
Revenue			
Sales to external customers	3,216	14,312	17,528
Results			
Segment gross profit	1,008	4,806	5,840
Unallocated expenses, net			(11,313)
Interest income			680
Interest expense			-
Profit before tax			(4,819)
Income tax expense			-
Net profit			(4,819)

Other segment information

<u>3 months ended 31 March 2014</u>	International Label RMB'000	Own Label RMB'000	Total RMB'000
Revenue			
Sales to external customers	728	1,876	2,604
	International Label RMB'000	Own Label RMB'000	Total RMB'000
<u>3 months ended 31 March 2013</u>			
Revenue			
Sales to external customers	4,931	12,597	17,528

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 2014.

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 2014.

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 2014.

14. Retained Earnings

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

	As at 31 Dec 2013		As at 31 Mar 2014	
	RMB'000	RM'000	RMB'000	RM'000
Realised retained profits:	244,192	119,778	232,334	113,962
Unrealised retained profits:	(3,560)	(1,746)	(3,560)	(1,746)
	-----	-----	-----	-----
Total group retained profits:	240,632	118,032	228,774	112,216
	=====	=====	=====	=====

15. Recurring related party transactions

For the financial period ended 31 March 2014, the Group rented office and factory premises from a director-related company, Yantai Ouhua Winery Co., Ltd, with rental expense amounting to RMB 189,000.

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

1. Review of the performance of the Group

For the financial first quarter ended 31 March 2014 ("3M2014"), the Group revenue decreased by RMB14.93 million or 85.17% to RMB2.60 million, from RMB17.53 million in the previous corresponding period ended 31 March 2013 ("3M2013"). Loss before (net of) tax increased by RMB7.65 million from RMB4.82 million in 3M2013 to RMB12.47 million in 3M2014.

For the current quarter, the Group recorded a revenue decrease of RMB2.47 million from RMB5.07 million to RMB2.60 million and a decrease in loss net of tax of RMB64.39 million from RMB76.86 million to RMB12.47 million, both from the immediate preceding quarter ended 31 December 2013.

The decrease of sales as compared with the corresponding period in 2013 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. The increase of loss net of tax is mainly due to the revenue decrease.

2. Prospects

Through deep researching and analyzing of the current wine market, the management of the Group reached a view that due to the current challenging global and domestic market conditions, coupled with various 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 and the increasingly competitive grape winery market in China, the Group made efforts to improve the sales revenue but get no effects.

The Group will continue remaining steadfast and adopting conservative approach in our overall strategy. We will plan the production according to the sales and reduce our winery production storage to decrease the operating risk.

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 first quarter ended 31 March 2014.

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 2014.

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	10,339	6,890	By 2 Nov 2012	3,449	33
Total	79,530	79,530			

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 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 31 March 2014 and 31 March 2013 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 31 March 2014.

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 2013 were subject to qualified opinion.