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## SUMMARY

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### OVERVIEW

We are one of the leading grape wine producers in the PRC, with our signature wines produced from the indigenous *vitis amurensis* variety of grapes (colloquially referred to as “mountain grapes”) grown in vineyards at the foothills of the Changbai mountain range near Ji’An City, Jilin Province, the PRC. According to the 2008 Report on Wines Manufacturing Enterprises, we ranked first in the PRC in terms of manufacturing volume of sweet wines and ranked tenth in the PRC in terms of total sales volume (tonne) of grape wines.<sup>(Note)</sup> According to the 2007 Report on Wines Manufacturing Enterprises, we ranked second in terms of manufacturing volume of sweet wines and ranked tenth in terms of total sales volume (tonne) of grape wines. As at the Latest Practicable Date, our product range comprises [18] different grape wine products, which can broadly be categorised into sweet wine and dry wine. All our wine products are sold under the “Tongtian” (通天) and “Tongtian Hong” (通天紅) labels in [19] provinces and [3] municipal cities in the PRC through the sales networks and distribution channels of [71] distributors as at the Latest Practicable Date.

### COMPETITIVE STRENGTHS

We believe that the following strengths enable us to compete effectively:

- Strategically located production facilities and access to good quality grapes;
- Recognition of the “Tongtian” (通天) and “Tongtian Hong” (通天紅) brand names for niche sweet wine products in the PRC;
- Extensive nationwide sales and distribution network in the PRC;
- Experienced management team with extensive experience in the PRC grape wine industry; and
- Strong quality management system and the production of quality wine products.

### BUSINESS STRATEGIES

The following sets forth our key business strategies which we expect to implement to meet our business objectives:

- Increase our production capacity;
- Develop our Tongtian wine estate;

*Note:* According to the 2008 Report on Wines Manufacturing Enterprises (2008年葡萄酒企業生產情況調查滙總表) issued by China Alcoholic Drinks Industry Association (中國釀酒工業協會), we ranked tenth among the 46 grape wine manufacturers in the PRC surveyed in the report in terms of volume of grape wine we produced and accounted for 3.4% of the total volume produced by the 46 grape wine manufacturers.

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- Develop wine cellaring capabilities;
- Continue to expand and develop our sales and distribution network in the PRC and strengthen our brand awareness;
- Explore opportunities to further expand our market share.

## RISK FACTORS

### Risks relating to our business

- We rely on the consistent and sufficient supply of quality grapes and grape juice;
- We rely on our distributors and third-party retailers for the sales of our products to consumers;
- We may not have adequate control over operation of our distributors;
- Our business may be adversely affected if our trade receivables become bad debts and cannot be collected timely by us;
- Our business could be adversely affected if we are unable to retain our executive Directors and key employees;
- We are subject to changes in demand in the PRC for our products and seasonal fluctuations in consumer demand;
- We have not yet secured registration of the “Tongtian Hong” (“通天紅”) trademark in the PRC and rely on intellectual property rights, including our trademarks, and may be subject to claims for infringement of third parties’ intellectual property rights;
- Our brand name and product images may be adversely affected by claims by third-parties for possible infringement of their intellectual property rights, particularly with respect to the historical sales of our products to distributors under the “Tongtian Cabernet” (“通天解百納”) name;
- We are yet to obtain the registration of our Group’s logo as a trademark in Hong Kong;
- Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans;
- Our Group has a lease agreement which has not been duly registered.

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### **Risks relating to our industry**

- We are exposed to potential product liability and litigation which may adversely affect our business, operating results and financial condition;
- We are reliant on public confidence in PRC food and beverage product manufacturers;
- We face the risks of contamination and deterioration of our wines;
- We operate in a highly competitive business and failure to maintain our competitiveness may adversely affect our operating results;
- We may face labour shortages and rising labour costs;
- We may be affected by adverse public opinion about alcoholic beverages;
- We are subject to the risk of operating hazards and other operational disruptions;
- We are dependent on regulatory approvals for our operations.

### **Risks relating to the PRC**

- Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC Government may adversely affect our business, growth strategies, operating results and financial condition;
- The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to you;
- Our primary source of funds in the form of dividends and other distributions from our operating subsidiary in the PRC is subject to various legal and contractual restrictions and uncertainties which may limit our ability to pay dividends or make other distributions to our Shareholders;
- New labour laws in the PRC may adversely affect our results of operations.

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### SUMMARY FINANCIAL INFORMATION

The tables below summarise our combined financial information for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, and as at 31 December 2006, 2007 and 2008 and 30 June 2009. Financial results for the six months ended 30 June 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. Our combined financial information as at and for the six months ended 30 June 2008 has not been audited. The following summary was extracted from our combined financial statements included in the accountants’ report set out in Appendix I to this document. You should read the entire financial statements, including the notes thereto, included in Appendix I to this document for more details.

#### Summary Combined Statements of Comprehensive Income

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Revenue	281,823	391,570	486,708	206,028	[242,715]
Cost of sales	<u>(140,477)</u>	<u>(182,561)</u>	<u>(209,769)</u>	<u>(89,433)</u>	<u>[(105,328)]</u>
Gross profit	141,346	209,009	276,939	116,595	[137,387]
Other income	124	99	244	83	[476]
Selling and distribution expenses	(35,408)	(64,807)	(53,500)	(26,140)	[(25,951)]
Administrative expenses	(4,212)	(5,582)	(9,761)	(3,169)	[(3,777)]
Other expenses	–	–	[(13,012)]	–	[(1,573)]
Finance costs	<u>(2,869)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>[–]</u>
Profit before tax	98,981	138,719	200,910	87,369	[106,562]
Income tax expense	<u>(36,803)</u>	<u>(33,488)</u>	<u>(64,122)</u>	<u>(27,285)</u>	<u>[(31,207)]</u>
Profit for the year/period and total comprehensive income for the year/period attributable to owners of our Company	<u>62,178</u>	<u>105,231</u>	<u>136,788</u>	<u>60,084</u>	<u>[75,355]</u>
Earnings per share					
Basic (RMB)	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>

*Note:* Other expenses represent professional fees incurred in relation to [●] of our Company and are charged as expenses in the year/period in which they are incurred.

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### Summary Combined Statements of Financial Position Information

	At 31 December			At 30 June
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>				
Current Assets	168,316	191,104	341,168	[394,515]
Non-current Assets	92,473	88,955	109,072	[108,629]
<b>Equities and Liabilities</b>				
Current Liabilities	112,216	132,755	71,466	[44,945]
Non-current Liability	—	—	7,572	[11,642]
Total Equity	<u>148,573</u>	<u>147,304</u>	<u>371,202</u>	<u>[446,557]</u>

### Summary Combined Statements of Cash Flow

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Net cash from operating activities	58,025	73,851	146,205	60,103	[74,303]
Net cash used in investing activities	(8,034)	(1,521)	(24,756)	(7,917)	[(1,524)]
Net cash used in financing activities	(50,989)	(71,369)	(8,617)	(9,000)	[—]
Net (decrease) increase in cash and cash equivalents	(998)	961	112,832	43,186	[72,779]
Cash and cash equivalents at end of the year/period	2,023	2,984	115,816	46,170	[188,595]

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### DIVIDEND AND DIVIDEND POLICY

Our subsidiary Tongtian Winery declared a dividend of RMB55.0 million on 5 January 2006 and a dividend of RMB66.5 million on 8 January 2007, both to its then shareholders. We confirm that as at the Latest Practicable Date such dividends have been fully settled. Apart from the said dividends, no other dividends were paid by us or any of our subsidiaries to their then shareholders during the Track Record Period.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of the Board of Directors.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws and our Bye-laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, the Board of Directors currently intends to recommend at the relevant shareholders meetings an annual dividend of not less than [●]% of the net profit available for distribution to the Shareholders in the foreseeable future.