# YEAR-END DECEMBER 31ST, 2011 FINANCIAL STATEMENT

**California Grapes International, Inc.**
**OTCPK: CAGR**

California Grapes International, Inc.

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c2-11(a)(5) promulgated under the Securities Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the Guidelines for Providing Adequate Current Public Information provided by OTC Markets, LLC.

# CALIFORNIA GRAPES INTERNATIONAL, INC.

## CALIFORNIA GRAPES INTERNATIONAL, INC. AND SUBSIDIARYS
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR-END DECEMBER 31st, 2011
## (UNAUDITED)

**Address**
2360 Corporate Circle Suite 400
Henderson, NV 89074

## FORWARD LOOKING STATEMENTS

THIS INITIAL COMPANY INFORMATION AND DISCLOSURE STATE, IN PARTICULAR, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, AND OTHER FINANCIAL RESULTS, PROPOSED ACQUISITIONS AND NEW PRODUCTS, ENTRY INTO NEW MARKETS, FUTURE OPERATIONS AND OPERATING RESULTS, FUTURE BUSINESS AND MARKET OPPORTUNITIES. THE COMPANY WISHES TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISK AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO THE COMPANY'S BUSINESS, SEE "RISK FACTORS." UNDER "DESCRIPTION OF BUSINESS."

# 2011 ANNUAL REPORT – LETTER TO THE SHAREHOLDERS

January 2nd, 2012

To the Shareholders of California Grapes International, Inc.,

The results of our completed merger between China Food Service Corp. and California Grapes International, Inc. "CGI" give us an advantage in the wine export industry that has never been available before.

The CA Wine industry topped 28 Billion dollars in domestic sales and exported only about 1 Billion to the rest of the world in 2010. As the 4th largest producer of wine in the world, why does approximately 900 Million of that export total end up only in the UK and Canada? The simple answer is that it is the "easy" sale.

"CGI" has been developing its business over the past 3 years in building the correct marketing, promotions, and education platform needed to overcome the "general" international market perception that CA Wine is overpriced and of inferior quality to the mainstream offerings of French, Italian, and Australian wines.

In order for this "platform" to be successful, "CGI" must have a direct in-market presence that allows for us to engage both the consumers and the venues in a cross-promotional capacity that allows us to manage sell-through and consumer traffic to our venue customers.

"CGI" has made several attempts to establish the necessary footprint in China with Chinese partners without success. It is much easier for a distributor in China to sell one of the more established wine producing countries wines than to put any effort into selling CA Wine. This is also the number one reason that almost all of the business being done today in China is purely "transactional" in nature. This is good to make sales but, not to build a business.

China Food Service Corp. absolutely understood the value of the in-market presence but, hard to break traditions kept the ability to succeed with "food focused sales" to a very long-term proposition. The position of being a US company in China with the licensing for customs "self-clearance", import/export and direct to consumer, wholesale and distribution sales was exactly what "CGI" needed and had been looking for.

With the ability to engage and influence direct consumers with an internationally accepted product like wine, we can now look at the value of CA Wine in the Chinese market. With over 3,000 wineries in CA and over 70% of those being "boutique" producers of 30k cases or less a year, the average retail price is between $15-$25 USD per bottle. "CGI" averages a cost of 50% or better with the purchase price and an in-market average resale price between $25-$35 USD per bottle. As you can see there is a good amount of margin to cover operations, logistics, marketing and sales on every bottle sold.

The efforts to date by the various export brokers, wineries and direct buyers from China result in wine being offered to the consumers with 300-500% markups above US retail and it is not uncommon to see a $2 bottle of wine being sold for $30 in China. "CGI" now controls the pricing from supplier to consumer and has the advantage of selection, quality and price control over all other suppliers of CA Wine.

Efforts to establish "Business to Business to Business to Business" sales channels in China have produced transaction with 100s or even 1000s of distributors thus far but all suffer from very little margin and no direct market influence. In 2010, 38 Million dollars worth of CA Wine this was estimated to have been sold into China. What is not clear is the number of buyers it was sold to and how many of them made repeat purchases. There are a lot of questions regarding the actual wine business in China and today's sales techniques will never produce answers.

"CGI" will be going directly to the 100,000s if not 1,000,000s of consumers with a much better "Business to Consumer" model that is currently absent in the international wine sales market! We will be able to provide direct sale feedback to our winery partners and effectively manage brands on their behalf. This level of information regarding the China market is not available and the wineries have a great deal of comfort in sending their products out of the country with this level of detail and brand security.

Exporting wine from CA in not a new concept and it has been going on for many years. When we look at the results from the existing businesses and individuals who have been in this industry, it is very clear that their current model of execution lacks the foundation to build any real long-term business. "CGI" has direct access to the winery, manages all domestic and foreign logistics, deals directly with the customs and import registration process and now controls the in-market sales focused on the consuming public at large. China is just the beginning and with the lack of CA Wine in so many of the top emerging economies, "CGI"s potential will be realized very quickly.

"CGI" would like to "Thank You" for all of the support and positive feedback we have received and we appreciate the support that has been put behind China Food Service Corp to get us to where we are today. We are all looking forward to a very exciting future in what we consider to be potentially one of the largest single impacts on the CA Wine Industry ever.

***California Grapes***
***"Bringing the best wines in the world, to the world"***

**Our 2011 Results**

California Grapes International, Inc. "CGI" realized a moderate decline in business as the company was preparing for reorganization. As the private entity needed to revisit everything from operational policies and procedures to the appropriate suppliers needed for the new venture, the efforts to establish new distribution partners dropped off and personnel were reassigned. The estimated timeframes associated with the merge of China Food Service Corp took every bit of the maximum projections made. The review and approval process of FINRA for this merger was complete and thorough with very little additional information being requested in addition to our original submission but, it still took over 90 days from start to finish. As "CGI" had been primarily focused on distribution transactions since mid 2010, our team had to begin the process of establishing more appropriate winery partners to fulfill on the direct sales efforts of a retail outlet in Beijing. As our policy for sales internationally requires a "market testing" process to ensure a greater level of success upon market entry, this process takes a fair amount of time in order to have as robust an offering as we provide. The initial phase of market testing and selection has been completed at this time and over 60 wineries are represented to start.

As the position and direction of this company has a specific focus on wine, there were a number of modifications to the China Food Service Corp operations in Beijing that needed adjustment and implementation. We established a direct e-commerce site for purchases online. We had to establish a working relation/process with China Customs for the importation of wine that included having our own export documentation recognized and approved. This process is necessary as the current export documentation generated by the wineries has little to no consistency and is often forged or never requested by the importer or buyer currently increasing the potential of illegal importation of the wine into

China. "CGI" is now the largest importer of "registered" CA Wine labels in China in less than 6 months.

Building a business for the long term in China is not easy and protecting the brands and our efforts is critical. We needed to make sure that we were ready to hit the ground running without making any avoidable mistakes and the preparation was our number one priority for the last half of 2011.

**Our 2012 Strategy**

"CGI" will hit the ground running in January with the deployment of our first retail store located in the Renaissance Hotel. We have already made several wine placements at various restaurants including a significant placement of 33 SKUs in the commissary of the US Embassy. "CGI" will target a minimum of 3 additional retail store locations to be up and running by end of year 2012. Each retail location will target a minimum of 100 unique winery representations and will operate as a hub for sales and promotions to both direct consumers as well as the local venues. Having the ability to generate multiple revenue streams from each location, through the platform of cross-promotion between restaurant customers and retail buyers, gives "CGI" the ability to drive business to and from our retail shops and our restaurant partners with a direct measurable impact. Restaurants benefit with our products as partners in the market and the venue specific marketing and promotional activities allow for "CGI" to produce, promote and host events and functions that bring results to their overall business.

"CGI" has a great deal of experience and support with our wineries and we will be holding numerous winemaker functions in 2012. These events allow our winery partners to come directly to the market and promote, educate and sell their wine through our restaurant and retail venues. Both the market and the winery benefit greatly with these engagements and the position of "CGI" becomes even more valuable with everyone.

The Board of Director is committed to the legitimacy and growth of "CGI" and has agreed that "Up listing" to a fully reporting status is a top priority for 2012. The process is estimated to take 3-6 months for the auditing to be completed and we will begin immediately in January.

As we continue to refine the company and its ability to execute, "CGI" will be also working with various governmental agencies in exploring additional opportunities outside of China to establish initial entry points and strategic business relations into other countries.

2012 is just the start and we look forward to bringing our shareholders exciting and rewarding updates on a regular basis. California Grapes International, Inc. becomes the brand that is known for quality and value and is why our motto says it all;

***"The Best Wines In The World Come From California Grapes!"***

Frank J. Yglesias
Chairman of the Board
January 2$^{nd}$, 2012

Jeff Crittenden
CEO
January 2$^{nd}$, 2012

# DIRECTOR'S REPORT
# FOR YEAR-END DECEMBER 31, 2011

The Board of Directors of California Grapes International, Inc. hereby submits the financial report of the Company for the year end December 31, 2011 and reports as follows:

1. We have reviewed the year end December 31, 2011 financial statements of California Grapes International, Inc.

2. Based on the board's knowledge, these financial statements does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by these financial statements; and

3. Based on the board's knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Frank J. Yglesias
Chairman of the Board
January 2nd, 2012

Jeff Crittenden
CEO
January 2nd, 2012

## DIRECTORS

The name and particulars of the Directors of California Grapes International, Inc. formally known as "China Food Services, Corp.", in office at any time during or since the end of the period:

| | |
|---|---|
| Frank Yglesias | Chairman of the Board/EVP of China Operations |
| Jeff Crittenden | Secretary of the Board/CEO |
| Jeffrey Wieser | Treasurer of the Board/EVP of Logistics |
| Brian Bumgarner | Vice-Chairman of the Board/CVO |

## ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES

**US Offices:**
2360 Corporate Circle Suite 400
Henderson, NV 89074

**China Offices:**
Beijing Shi Chaoyang Qu, Liyuan Li Bei Jie 2
Hao Yuan, Jin Di Ming Jing, D-1-607
Beijing PRC 100022

## 1. CORPORATE INFORMATION AND DESCRIPTION OF BUSINESS

California Grapes International, Inc. formally known as "China Food Services, Corp." (the "Company") was incorporated in the State of Florida in 1992 and re-domiciled to the State of Nevada in 2011. The Company's primary business operations are conducted as an importer, exporter and global distributor of American wines. The Company purchases goods directly from manufactures in the United States and distributes these products to distributors, grocery stores, supermarkets and hypermarkets, consumers and restaurants throughout the world. The company also has two subsidiaries that play a strategic role in the importation and distribution of products in China. They are; Golden Dragon Food & Beverage Import & Export Company of Hong Kong, Ltd. incorporated in Hong Kong since 2007 and Beijing Jin Long Fei International Trading Co., LTD incorporated in 2007 as a WOFE "Wholly Owned Foreign Entity".

## 2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

**Basis of presentation**
The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

**Use of estimates**
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of trade receivables, other receivables, inventories, deferred income taxes and the estimation on useful lives of property, plant and equipment. Actual results could differ from these estimates.

**Basis of consolidation**
The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions within the Company have been eliminated upon consolidation. Cash and cash equivalents carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

**Inventories**
Inventories are stated at the lower of cost or market value. Cost is determined on a first in first out basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In case of manufacturing inventories, cost includes an appropriate share of production overheads based on normal operating capacity. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory aging analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

**Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is calculated on the straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values:

**Equipment:** Straight-line for 5 to 20 years with a $0 salvage value
**Building:** Straight-line for 20 years with a $0 salvage value

Maintenance or repairs are charged to expense as incurred. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

**Revenue recognition**
The Company's revenue recognition policies are in accordance with Staff Accounting Bulletin 104. Sales revenue is recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer.

The Company recognizes revenue when the goods are delivered and title has passed. Sales revenue represents the invoiced value of goods, net of a value-added tax ("VAT"). All of the Company's products that are sold in the PRC are subject to a Chinese value-added tax at a rate of 17% of the gross sales price or at a rate approved by the Chinese local government. This VAT may be offset by the VAT paid by the Company on raw materials and other materials included in the cost of producing their finished product.

**Income taxes**
The Company accounts for income tax using SFAS No. 109 "Accounting for Income Taxes", which requires the asset and liability approach for financial accounting and reporting for income taxes. Under this approach, deferred income taxes are provided for the estimated future tax effects attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, and for the expected future tax benefits from loss carry-forwards and provisions, if any. Deferred tax assets and liabilities are measured using the enacted tax rates expected in the years of

recovery or reversal and the effect from a change in tax rates is recognized in the statement of operations and comprehensive income in the period of enactment. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

**Recently issued accounting pronouncements**

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" (FAS 165), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of SFAS 165 for the quarter ended June 30, 2009. The adoption of these provisions did not have a material effect on the Company's consolidated financial statements. In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140 (FAS 166). FAS 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. FAS 166 is effective for fiscal years beginning after November 15, 2009. The Company will adopt FAS 166 in fiscal 2010 and is evaluating the impact it will have on the consolidated results of the Company.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167). The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. FAS 167 is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company will adopt FAS 167 in fiscal 2010 and is evaluating the impact it will have on the consolidated results of the Company.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (FAS 168). FAS 168 replaces FASB Statement No. 162, The Hierarchy of Generally

Accepted Accounting Principles, and establishes the "FASB Accounting Standards Codification TM "(the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

## 3. INVENTORIES

Inventory as of Fiscal Yearend December 31st, 2011 consist of:

| 12/31/2011 | 12/31/2010 |
|---|---|
| $302,906 | $166,050 |

For the year-end December 31st, no provisions for obsolete inventories were recorder by the company.

## 4. PROPERTY, PLANT AND EQUIPMENT

Property and Equipment as of Fiscal Yearend December 31st, 2011 consist of:

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| Office equipment | $62,980 | $57,174 |
| Office furn. & fixture | $39,449 | $26,992 |
| Vehicles | $22,650 | $46,795 |
| | **$125,079** | **$130,961** |
| Less: Accumulative depreciation | ($25,016) | ($32,493) |
| | **$100,063** | **$98,441** |

For the Fiscal Yearend December 31st, 2010, the company had depreciation expenses of $25,016USD.

## 5. PROMISSORY NOTES & LOANS

### NOTES & LOAN

As of Fiscal Yearend December 31st, 2011, the Company has notes payable in the amount of $43,000USD. The loan is secured at 8% annual interest. The loan is evidenced by a promissory note agreement between the investor and the Company.

## 6. LEGAL PROCEEDINGS.

We are not aware of any pending or threatened legal actions to which we are a party or of which our property is the subject that would, if determined adversely to us, have a material adverse effect on our business and operations.

We have from time to time been involved in disputes and proceedings arising in the ordinary course of business. In addition, as a public company, we are also potentially susceptible to litigation, such as claims asserting violations of securities laws. Any such claims, with or without merit, if not resolved, could be time-consuming and result in costly litigation. There can be no assurance that an adverse result in any future proceeding would not have a potentially material adverse effect on our business, results of operations or financial condition.

## 7. PREFERRED STOCK A&B ISSUANCES

On May 17th, 2011, the Company issued 70,000,000 shares of preferred class A shares to Mr. Frank Yglesias in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 57,015,000 shares of preferred class B shares to Mr. Frank Yglesias in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 56,000,000 shares of preferred class A shares to Mr. Jeff Crittenden in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 45,612,000 shares of preferred class B shares to Mr. Jeff Crittenden in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 44,000,000 shares of preferred class A shares to Mr. Jeffrey Wieser in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 35,838,000 shares of preferred class B shares to Mr. Jeffrey Wieser in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 30,000,000 shares of preferred class A shares to Mr. Brian Bumgarner in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

On May 17th, 2011, the Company issued 24,435,000 shares of preferred class B shares to Mr. Brian Bumgarner in connection to the merger of China Food Services, Corp. & California Grapes International, Inc.

## 8. COMMON STOCK ISSUANCES

On December 16th, 2011 the Company issued 20,000,000 shares of Restricted Common Shares Jahoco, LLC to settle a debt of $10,000USD

On December 16th, 2011 the Company issued 20,000,000 shares of Restricted Common Shares Machiavelli LTD, LLC to settle a debt of $10,000USD

# CALIFORNIA GRAPES INTERNATIONAL, INC.& SUBSIDIARY
# UNAUDITED CONSOLIDATED BALANCE SHEET
# AS OF DECEMBER 31st, 2011

## ASSETS

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| **CURRENT ASSETS** | | |
| USA Bank | $2,132 | ($476) |
| Hong Kong Bank | $1,000 | $0 |
| China Bank | $12,348 | $12,573 |
| Other Cash & Cash Equivalents | $189 | $581 |
| **TOTAL CASH & CASH EQUIVALENTS** | **$15,669** | **$12,873** |
| Accounts receivable | $163,377 | $131,519 |
| Inventories | $302,906 | $166,050 |
| **TOTAL CURRENT ASSETS** | **$481,952** | **$319,442** |
| **PROPERTY AND EQUIPMENT** | $125,079 | $130,961 |
| Accumulated Depreciation | ($25,016) | ($32,493) |
| NON-CURRENT ASSETS | | |
| Loan to Beijing Sub | $280,093 | $240,093 |
| Investment in subsidiaries | $15,000 | $15,000 |
| **TOTAL ASSETS** | **$877,123** | **$673,003** |

## LIABILITIES AND STOCKHOLDERS' EQUITY

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $280,225 | $82,538 |
| Settlement payable | $20,000 | $58,787 |
| Salary payables | $250,000 | $125,000 |
| Investor's loan | $43,000 | $20,000 |
| Shareholder loan | $0 | $0 |
| **Total Current Liabilities** | **$593,225** | **$286,325** |
| **STOCKHOLDERS' DEFICIT** | | |
| Preferred A stock 300,000,000 authorized: Issued and outstanding) | 200,000,000 | 42,000,000 |
| Preferred B stock 500,000,000 authorized: Issued and outstanding) | 162,900,000 | |
| Common stock Pre-Split/Merger 2010($.001 par value, 3,000,000,000 shares authorized: 2,853,835,442 shares issued and outstanding) | | $2,853,835 |

| | | |
|---|---|---|
| Common stock Post-Split($.001 par value, 2,500,000,000 shares authorized: 530,147,929 shares issued and outstanding) | $530,147 | |
| Additional Paid in Capital | | $301,971 |
| Common Stock | | |
| Retained Earnings | | |
| Net Income | ($246,249) | ($100,307) |
| Accumulated Deficit | | ($2,566,849) |
| **Total Stockholders' Deficit** | **$283,898** | **$386,678** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT** | **$877,123** | **$673,003** |

The accompanying notes are an integral part of the financial statements

# CALIFORNIA GRAPES INTERNATIONAL, INC.& SUBSIDIARY
# UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
# AS OF DECEMBER 31st, 2011

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| SALES AND COST OF SALES: | | |
| Sales | $690,343 | $225,537 |
| Cost of sales | ($310,655) | ($169,153) |
| GROSS PROFIT | **$379,688** | **$56,384** |
| OPERATING EXPENSES: | | |
| Professional Fees | ($39,508) | ($50,164) |
| Government Fees | ($6,800) | ($3,511) |
| Advertising & Promotion | ($19,500) | ($24,347) |
| Bank Charges & Fees | ($2,790) | ($2,423) |
| Internet Services, | ($4,537) | ($4,687) |
| Meals & Entertainment | ($15,945) | ($6,672) |
| Office Supplies | ($4,013) | (5,012) |
| Postage & Delivery | ($1,062) | ($3,051) |
| Printing & Reproduction | ($1,736) | ($3,146) |
| Office & Warehouse Rental | ($77,700) | ($61,030) |
| Logistics | ($81,800) | ($6,436) |
| Telephone | ($8,674) | ($8,846) |
| Utilities | ($116) | ($1,198) |
| Travel Expenses | ($9,400) | ($59,845) |
| Vehicle Maintenance | ($631) | ($3,358) |
| Vehicle Gas | ($17,950) | ($8,220) |
| Payroll & Payroll Expenses | ($85,512) | ($28,439) |
| Sales Commissions | ($1,205) | ($9,471) |
| Supermarket Entrance Fees | $0 | ($8,955) |
| Insurance | ($4,900) | ($1,471) |
| Customs & CIQ Fees | ($104,285) | ($23,405) |
| Sales VAT | ($3,680) | ($1,296) |
| Dues & Subscriptions | ($524) | ($935) |
| Transportation | ($1,982) | ($994) |
| Parking & Tolls | ($522) | ($796) |
| Computer Hardware | ($750) | $0 |
| Computer Software | ($200) | $0 |
| Misc & Admin | ($32,650) | ($74) |
| OPERATING LOSS | **($528,372)** | **($327,782)** |
| NET LOSS | **($326,851)** | **($271,398)** |
| Net loss per common share basic & fully diluted | ** | ** |

| | | |
|---|---|---|
| Weighted average common shares outstanding - basic and fully diluted | **375,383,478** | **2,853,835,442** |

** Less than $.01

The accompanying notes are an integral part of the financial statements

# CALIFORNIA GRAPES INTERNATIONAL, INC.& SUBSIDIARY
# UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
# AS OF DECEMBER 31st, 2011

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | ($326,851) | ($271,398) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | $25,016 | $32,493 |
| Stock issued to settle the debt | | |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | ($163,377) | $(131,519) |
| Inventory | ($302,906) | $(166,050) |
| Due from shareholders | | |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | $593,225 | $286,325 |
| NET CASH (USED IN) OPERATING ACTIVITIES | **($174,893)** | **($250,149)** |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| (Repayments) to stockholder loans | | |
| Proceeds from private placement | | $457,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | **$457,000** |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | $12,873 | $43,058 |
| End of period | $15,669 | $12,873 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid during the quarter for interest | 0 | 0 |
| Non-cash investing and financing activities: | | |
| Increase in note payable due to interest accrued | 0 | 0 |
| Common stock issued to settle the debt | 40,000,000 | 295,000,000 |

The accompanying notes are an integral part of the financial statements

# CALIFORNIA GRAPES INTERNATIONAL, INC.& SUBSIDIARY
# UNAUDITED STATEMENT OF STOCKHOLDERS' (DEFICIT)
# AS OF DECEMBER 31st, 2011

| | Preferred A Stock, $0.015 Par | | Additional | |
|---|---|---|---|---|
| | Number of | | Paid-in | Accumulated |
| | Shares | Amount | Capital | Deficit |
| Balances, March 31st, 2011 Pre-Split | 100,000,000 | $1,500,000 | | |
| Balance, September 31st, 2011 Post-Split 1:10 | 200,000,000 | $3,000,000 | $0 | $0 |
| Issuance of Preferred A Stock-Dec.,16th, 2011 | 0 | $0 | $0 | $0 |
| Balance, December 31st, 2011 | 200,000,000 | $3,000,000 | $0 | $0 |

| | Preferred B Stock, $0.005 Par | | Additional | |
|---|---|---|---|---|
| | Number of | | Paid-in | Accumulated |
| | Shares | Amount | Capital | Deficit |
| Balances, March 31st, 2011 Pre-Split | 0 | $0 | | |
| Balance, September 31st, 2011 Post-Split 1:10 | 162,900,000 | $814,500 | $0 | $0 |
| Issuance of Preferred B Stock-Dec.,16th, 2011 | | | | |
| Balance, December 31st, 2011 | 162,900,000 | $814,500 | $0 | $0 |

| | Common Stock, $0.001 Par | | Additional | |
|---|---|---|---|---|
| | Number of | | Paid-in | Accumulated |
| | Shares | Amount | Capital | Deficit |
| Balances, March 31st, 2011 Pre-Split | 3,753,834,775 | $3,753,835 | ($236,000) | ($2,617,835) |
| Balance, September 31st, 2011 Post-Split 1:10 | 490,147,929 | $490,148 | ($23,600) | ($466,548) |
| Issuance of Common Stock-Dec.,16th, 2011 | 40,000,000 | $40,000 | ($20,000) | ($20,000) |
| Balance, December 31st, 2011 | 530,147,929 | $530,148 | ($43,600) | ($486,548) |

The accompanying notes are an integral part of the financial statements