

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUA
 Financial Period Ended : 30 SEPTEMBER 2021
 Quarter : 3
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
		YEAR TO DATE ENDED 30/Sep/21 RMB'000	YEAR TO DATE ENDED 30/Sep/20 RMB'000	YEAR TO DATE ENDED 30/Sep/21 RM'000	YEAR TO DATE ENDED 30/Sep/20 RM'000
Revenue		10,681	14,180	6,604	8,768
Cost of sales		(10,418)	(13,883)	(6,441)	(8,584)
Gross Profit		263	297	163	184
Finance and other income		498	24	308	15
Marketing and distribution		(2,317)	(2,362)	(1,433)	(1,461)
Administrative expenses		(1,058)	(1,369)	(654)	(846)
Other expenses		(4)	(4)	(3)	(3)
(Loss)/profit before tax		(2,618)	(3,414)	(1,619)	(2,111)
Income tax expenses	B4	-	-	-	-
(Loss)/profit net of tax		(2,618)	(3,414)	(1,619)	(2,111)
Total comprehensive (loss)/ income for the period		(2,618)	(3,414)	(1,619)	(2,111)
(Loss)/profit attributable to :					
- Owners of the parent		(2,498)	(3,247)	(1,545)	(2,008)
- Non-controlling interests		(120)	(167)	(74)	(103)
Total comprehensive (loss)/ income attributable to :		(2,618)	(3,414)	(1,619)	(2,111)
(Loss)/earnings per share from Group's net (loss)/profit attributable to shareholders	B11				
Basic (RMB cents / RM sen)		(0.37)	(0.49)	(0.23)	(0.30)
Diluted (RMB cents / RM sen)		(0.37)	(0.49)	(0.23)	(0.30)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.)

Note:

The 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 RM0.61833 as at 31 Dec 2020.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		CURRENT QUARTER 30/Sep/21	PRECEDING YEAR CORRESPONDING QUARTER 30/Sep/20	CURRENT QUARTER 30/Sep/21	PRECEDING YEAR CORRESPONDING QUARTER 30/Sep/20
		RMB'000	RMB'000	RM'000	RM'000
Revenue		6,176	6,989	3,818	4,322
Cost of sales		(6,075)	(7,534)	(3,755)	(4,658)
Gross Profit		101	(545)	63	(336)
Finance and other income		430	4	266	3
Marketing and distribution		(773)	(775)	(478)	(480)
Administrative expenses		(295)	(243)	(182)	(150)
Other expenses		(2)	(2)	(2)	(2)
Profit/(Loss) before tax		(539)	(1,561)	(333)	(965)
Income tax expenses	B4	-	-	-	-
Profit/(Loss) net of tax		(539)	(1,561)	(333)	(965)
Other comprehensive Income:					
Foreign currency translation		-	-	-	-
Total comprehensive income/(loss) for the period		(539)	(1,561)	(333)	(965)
Profit/(Loss) attributable to :					
- Owners of the parent		(514)	(1,483)	(318)	(917)
- Non-controlling interests		(25)	(78)	(15)	(48)
		(539)	(1,561)	(333)	(965)
Total comprehensive (loss)/income attributable to :					
- Owners of the parent		(514)	(1,483)	(318)	(917)
- Non-controlling interests		(25)	(78)	(15)	(48)
		(539)	(1,561)	(333)	(965)
(Loss)/earnings per share from Group's net (loss)/profit attributable to shareholders	B11				
Basic (RMB cents / RM sen)		(0.07)	(0.23)	(0.05)	(0.14)
Diluted (RMB cents / RM sen)		(0.07)	(0.23)	(0.05)	(0.14)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.)

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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
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 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

PARTICULARS	NOTE	UNAUDITED	AUDITED	UNAUDITED	AUDITED
		AS AT 30/Sep/21 RMB'000	AS AT 31/Dec/20 RMB'000	AS AT 30/Sep/21 RM'000	AS AT 31/Dec/20 RM'000 (Restated)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		30,268	32,560	18,715	20,133
Biological assets		-	-	-	-
Prepayments		-	-	-	-
		<u>30,268</u>	<u>32,560</u>	<u>18,715</u>	<u>20,133</u>
Current assets					
Inventories		23,100	16,272	14,283	10,061
Trade and other receivables		120,838	122,804	74,718	75,933
Financial asset, at FVPL		20,000	16,061	12,367	9,931
Cash and cash equivalents		551	8,490	341	5,250
		<u>164,489</u>	<u>163,627</u>	<u>101,709</u>	<u>101,175</u>
Current liabilities					
Trade and other payables		3,815	2,627	2,359	1,624
Other liabilities		-	-	-	-
		<u>3,815</u>	<u>2,627</u>	<u>2,359</u>	<u>1,624</u>
Net current assets		<u>160,674</u>	<u>161,000</u>	<u>99,350</u>	<u>99,551</u>
Non-current liability					
Deferred tax liabilities		-	-	-	-
Net assets		<u>190,942</u>	<u>193,560</u>	<u>118,065</u>	<u>119,684</u>
EQUITY					
Share capital		205,838	205,838	127,276	127,276
Other reserve		30,531	30,531	18,878	18,878
Accumulated losses		(49,127)	(46,629)	(30,377)	(28,832)
Non-controlling interests		3,700	3,820	2,288	2,362
Total equity		<u>190,942</u>	<u>193,560</u>	<u>118,065</u>	<u>119,684</u>
Net Assets per share attributable to equity holders of the Group (RMB / RM)		0.29	0.29	0.18	0.18

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 RM0.61833 as at 31 Dec 2020.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUUA
 Financial Period Ended : 30 SEPTEMBER 2021
 Quarter : 3

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Atributable to Equity Holders of The Group →						Total Equity RMB'000
	Share Capital RMB'000	Statutory Reserve funds RMB'000	Other capital reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
(IN RMB)							
At 1 January 2021	205,838	29,508	1,023	(46,629)	189,740	3,820	193,560
Loss and other comprehensive(loss)/profit for the year	-	-	-	(2,498)	(2,498)	(120)	(2,618)
At 30 September 2021	205,838	29,508	1,023	(49,127)	187,242	3,700	190,942
(IN RM)							
At 1 January 2021	127,276	18,245	633	(28,832)	117,322	2,362	119,684
Loss and other comprehensive(loss)/profit for the year	-	-	-	(1,545)	(1,545)	(74)	(1,619)
At 30 September 2021	127,276	18,245	633	(30,377)	115,777	2,288	118,065

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.)

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The 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 RM0.61833 as at 31 Dec 2020.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUA
 Financial Period Ended : 30 SEPTEMBER 2021
 Quarter : 3



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

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	Accumulated Losses RMB'000	Total RMB'000	
(IN RMB)						
at 1 January 2020	205,838	29,508	1,023	(30,691)	205,678	210,296
Profit for the period	-	-	-	(3,247)	(3,247)	(3,414)
At 30 September 2020	205,838	29,508	1,023	(33,938)	202,431	206,882
(IN RM)						
at 1 January 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the period	127,276	18,245	633	(18,977)	127,177	130,032
At 30 September 2020	127,276	18,245	633	(20,008)	(2,008)	(2,111)
				(20,985)	125,169	127,921

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.)

Note:

The 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 RM0.61833 as at 31 Dec 2020.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
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 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CURRENT YEAR TO DATE 30/Sep/21 RMB'000	PRECEDING CORRESPONDING YEAR TO DATE 30/Sep/20 RMB'000	CURRENT YEAR TO DATE 30/Sep/21 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE 30/Sep/20 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(2,618)	(3,414)	(1,619)	(2,111)
Adjustments for :-				
Depreciation and amortisation expenses	2,292	2,321	1,417	1,435
Reversal for impairment loss of property, plant and equipment		-		-
Loss on disposal of PPE			(265)	
Fair value gain on financial asset, at FVPL	(429)			
(Reversal)/ Allowance for inventory obsolescence				
(Reversal)/ Allowance for impairment loss of trade receivables				
Interest income	(61)	(24)	(38)	(15)
Operating profit before working capital changes	(816)	(1,117)	(505)	(691)
<i>Decrease/(increase) in:</i>				
Inventories	(6,828)	(4,444)	(4,222)	(2,748)
Trade and other receivables	1,966	1,902	1,215	1,176
<i>(Decrease)/increase in:</i>				
Trade and other payables	1,188	(229)	735	(141)
Other liabilities	-	-		
Cash flows used in operations	(4,490)	(3,888)	(2,777)	(2,404)
Interest income received	61	24	38	15
Net cash flows used in operating activities	(4,429)	(3,864)	(2,739)	(2,389)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment				
Proceeds from sale of financial asset, at FVPL	28,490		17,616	
Purchase of financial asset, at FVPL	(32,000)		(19,786)	
Net cash flow generated from/(used in) investing activities	(3,510)	-	(2,170)	-
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 CHANGE IN CASH AND CASH EQUIVALENTS	(7,939)	(3,864)	(4,909)	(2,389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8,490	21,529	5,250	13,312
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	551	17,665	341	10,923
Cash and cash equivalents at the end of the period comprise the followings:				
Cash on hand and at banks	551	17,665	341	10,923
	551	17,665	341	10,923

(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 2020)

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 RM0.61833 as at 31 Dec 2020.

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 2021 are unaudited and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Act), Singapore Financial Reporting Standards (International) [SFRS(I)s] which are simultaneously compliant with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2020 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 2018.

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. Typically the first and fourth quarters of the financial 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 such as Christmas, New Year and the Lunar New Year.

3. Unusual items due to nature, size or incidence

There were no unusual items reported that will affect the assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 September 2021.

4. Changes in estimates

There were no material changes in estimates for the financial period ended 30 September 2021.

5. Prepayments in current assets

The deposits in current assets include RMB118.80 million, being 90% of total cash consideration price of RMB132 million, which consist of two payments made by Yantai Fazenda Ouhua Winery Co., Ltd., for acquisition of the land, buildings and ancillary facilities located at No. 3, Wolong North Road, Yantai City.

6. Changes in share capital and debts

There were no changes in share capital and debts for the financial period ended 30 September 2021.

7. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 30 September 2021.

8. Segment Information

a) Operating segments

	White Wine	Red Wine	Total
<u>9 months ended 30 September 2021</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers		10,681	10,681
Results			
Segment gross profit		263	263
Unallocated expenses, net			(3,379)
Interest income			61
Other income			437
Loss before tax			(2,618)
Income tax expense			-
Net loss			(2,618)
	White Wine	Red Wine	Total
<u>9 months ended 30 September 2020</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers		14,180	14,180
Results			
Segment gross profit		297	297
Unallocated expenses, net			(3,735)
Interest income			24
Other income			
Profit before tax			(3,414)
Income tax expense			-
Net Profit			(3,414)

Other segment information

	International Label	Own Label	Total
<u>9 months ended 30 September 2021</u>	RMB'000	RMB'000	RMB'000
Revenue			
Sales to external customers	10,681		10,681
	International Label	Own Label	Total
<u>9 months ended 30 September 2020</u>	RMB'000	RMB'000	RMB'000

Revenue

Sales to external customers

14,180

14,180

b) Geographical segments

Segmented information by geographical region is not applicable for the financial period ended 30 September 2021 as the business operations of the Group is only carried out in the PRC.

9. Subsequent events

There were no material events subsequent to the end of the financial period under review up to the date of this report that have not been reflected in this third 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 period ended 30 September 2021.

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 period ended 30 September 2021.

13. Capital commitments

There are no material capital commitments, which upon becoming enforceable, may have a material effect on the financial position of the Group for the financial period ended 30 September 2021.

14. Accumulated Losses

The breakdown of accumulated losses of the Group as at the respective reporting dates is as follows:

	As at 31 Dec 2020		As at 30 September 2021	
	RMB'000	RM'000	RMB'000	RM'000
Realised retained profits:	(46,629)	(28,832)	(49,127)	(30,377)
Unrealised retained profits:	-----	-----	-----	-----
Total group retained profits:	(46,629)	(28,832)	(49,127)	(30,377)
	=====	=====	=====	=====

15. Recurring related party transactions

For the financial period ended 30 September 2021, there was no related party transaction.

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

1. Review of the performance of the Group

The Group's performance for the quarter under review as compared to the same period of last year is as follows:

	Individual Period (3rd quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	30/9/21 RMB'000	30/9/20 RMB'000		30/9/21 RMB'000	30/9/20 RMB'000	
Revenue	6,176	6,989	-11.63	10,681	14,180	-24.68
Operating Loss	(539)	(1,561)	-65.47	(2,618)	(3,414)	-23.32
Loss Before Interest and Tax	(539)	(1,561)	-65.47	(2,618)	(3,414)	-23.32
Loss Before Tax	(539)	(1,561)	-65.47	(2,618)	(3,414)	-23.32
Loss After Tax	(539)	(1,561)	-65.47	(2,618)	(3,414)	-23.32
Loss Attributable to Ordinary Equity Holders of the Parent	(514)	(1,483)	-65.34	(2,498)	(3,247)	-23.07

For the current quarter ended 30 September 2021 ("3Q2021"), the Group's revenue decreased by RMB0.813 million or 11.63% to RMB6.176 million, from RMB6.989 million in the same period last year ("3Q2020"). Loss before tax in this current quarter decreased by RMB1.022 million from loss of RMB1.561 million in 3Q2020 to loss of RMB0.539 million in 3Q2021. The lower loss figure in 3Q2021 was mainly due to Fair value gain on financial asset, at FVPL, which amount to RMB0.429 million. and operating results are still badly affected by the prolonged impact of the COVID-19.

2. Variation of results against preceding quarter

The Group's performance for the quarter under review as compared to the preceding quarter is as follows:

	Current Quarter 30/9/21 RMB'000	Immediate Preceding Quarter 30/6/21 RMB'000	Changes (Amount / %)
Revenue	6,176	3,150	96.06
Operating loss	(539)	(1,023)	-47.31
Loss Before Interest and Tax	(539)	(1,023)	-47.31
Loss Before Tax	(539)	(1,023)	-47.31
Loss After Tax	(539)	(1,023)	-47.31
Loss Attributable to Ordinary Equity Holders of the Parent holders of the parent	(514)	(979)	-47.50

For the current quarter, the Group made a increase in revenue of RMB3.026million from RMB3.150million to RMB6.176million and a decrease in loss net of tax of RMB0.484million from loss of RMB1.023 million to loss of RMB0.539 million as compared to the immediate preceding quarter ended 30 June 2021.

According to Turnaround Plan, the Company would appoint some new sales agents, but actually the Company has not opened any new outlets to its distribution networks but the Turnaround Team-China has focused on importing more overseas wine to existing market , and these efforts have increased sales revenue and reduced loss.

3. Prospects

Notwithstanding some slight improvement in the sales, the COVID-19 pandemic will continue to expect a challenging time ahead for the Company. The Management is evaluating new business and importation of overseas wine to market in new areas and online business.

Currently the Company has formed an Interim Turnaround Plan, and To support the Company turnaround plan, the Company will strengthen its management team to support its turnaround plan and has formed two Turnaround Team 1 for China side and Turnaround Team 2 for Malaysia. Turnaround Team 1 is headed by Chairman and CEO of the Company and Turnaround Team 2 is headed by Executive Director of the Company. the Company intends to undertake on its own rationalization plan by using its existing resources and appointment of some new staff. The Company will appoint other professional and advisers if there is any viable business identified by the Board in the next quarter (4QTR of 2021).

i. Turnaround Team 1 focuses on Wine Business

For current business model, the Turnaround Team 1 have not appointed new sales agents yet.

The Company had planned to participate in future China International Wine Expo in

Shanghai and other exhibitions like China International Wine & Food, Interwine Beijing International Wine & Spirits Exhibition and China Food & Drinks Fair in Chengdu. By participating in this trade fairs the Company will be in the position to promote its existing and new products and from the participants' feedbacks, the Company will continue to develop suitable products for the China market.

Due to travel restriction caused by COVID-19 pandemic, the Company has yet to attend any of the aforesaid exhibitions.

ii. Turnaround Team 2 focuses on New Business from Malaysia

Currently the Turnaround Team 2 is reviewing and evaluating a new business and have discussion with Mercury Securities for further advise.

The Company will seek the advice of professionals for in-depth studies and be guided by any compliances required by Bursa Malaysia.

4. Profit forecast and guarantee

No profit forecast or guarantee was previously announced and disclosed by the Group in a public document.

5. Income tax charge

No provision for taxation as the Group has incurred losses for the financial period ended 30 September 2021.

6. 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 period ended 30 September 2021.

7. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the financial period ended 30 September 2021.

8. Status of corporate proposals and utilisation of proceeds

There are no corporate proposals announced but pending computation as at the date of this report.

9. Group borrowings and debts securities

The Group has no borrowings and debts securities as at the reporting date of the third quarter under review.

10. Off-balance sheet financial instruments risks

As at the date of this report, there are no off-balance sheet financial instruments.

11. Changes in material litigation

As at the date of this report, the Group has not engaged in any legal proceedings which may materially affect the financial position of the Group, and the 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 the Group.

12. (Loss)/Earnings per share

(Loss)/Earnings per share for 30 September 2021 and 30 September 2020 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 2021.

13. Audit report of the Group's preceding annual and immediate financial statements

The Group's audited financial statements for the financial year ended 31 December 2020 were subjected to qualified opinion with material uncertainty related to going concern.

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and before our submission of the Audited Financial Statements for the financial year ended 31 December 2020 ("AFS") of CNOUHUA to Bursa Securities, the Board of Directors of CNOUHUA wishes to inform that Messrs UHY Lee Seng Chan & Co., the External Auditors of CNOUHUA, had qualified their report for the AFS of the Company in respect of other receivables on Deposits, and had included an emphasize of matter to draw attention to the material uncertainty related to going concern. The Company hereby sets out below the full details of the qualified opinion:-

(a) Key Audit Matter Disclosed In The External Auditors' Report

The key audit matter disclosed is as follows: -

Basis for Qualified Opinion

Included in trade and other receivables are deposits of RMB 118,800,000 representing 90% of the total cash consideration price, which were made to Huangwu Subdistrict Office, Zhifu District, Yantai City, People's Republic of China. As disclosed in Note 5 to the financial statements, on 17 December 2013, the Group entered into a contract to purchase land, buildings and ancillary facilities including 320KVA power distribution equipment, water supply system, roads surrounding the factory and enclosing wall (collectively known as "Assets") for a cash consideration of RMB 132,000,000.

The External Auditors have not been able to obtain sufficient appropriate audit evidence to satisfy themselves of the extent of recoverability of the deposits of RMB 118,800,000 in the event that the transaction is not completed. Consequently, the External Auditors were unable to determine whether any adjustments to the carrying amount of deposits as at 31 December 2020 were necessary.

Material Uncertainty Related to Going Concern

The Group made full impairments to amount due from subsidiary and investment in subsidiary amounting to RMB76,418,000 and RMB60,135,000 respectively. The impairments were made due to the subsidiary continuous business losses due to loss of major market. In addition the discounted cash flow shows negative losses. These conditions indicate the existence of a material uncertainty which may cast significant

doubt about the Group's and Company's ability to continue as a going concern. The ability of the Group and Company to continue as a going concern is dependent upon the continuing financial support from a director and shareholder of the Company. The External Auditors' opinion is not further qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in the External Auditors' professional judgement, were of most significance in their audit of the financial statements of the current period. These matters were addressed in the context of the External Auditors' audit of the financial statements as a whole, and in forming their opinion thereon, and they do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, the External Auditors had determined the matters described below to be the key audit matters to be communicated in their report.

i. Valuation of trade receivables (RMB 16.118million) (Refer to Note 5 to the financial statements)

The Group has significant trade receivables amounting to the RMB16.118 million. In accordance with SFRS(I) 9 Financial Instruments, the Group is required to recognise loss allowances on expected credit losses on trade receivables. The determination of the loss allowances requires significant judgement and estimates to determine whether the receivable is credit impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers.

Inappropriate judgements and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.

Disclosure on the above significant management's judgement is provided in Note 3.2(a) to the financial statements and further information related to the aged trade receivables is in Note 22(a) to the financial statements.

Audit Response

The External Auditors have reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on trade receivables.

The Group has a process to assess credit risk and to determine the amounts of loss allowance to recognise on expected credit losses on trade receivables.

The External Auditors have also reviewed significant inputs to management's assessment of the amounts of loss allowance recognised on expected credit losses, and considered the reasonableness of the inputs by reference to the recent credit review assessments prepared by management. The judgements applied by management around the recovery of receivables were relevant under the facts and circumstances currently made available to the Group. Lastly, They assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving recoverability of the trade receivables.

They found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved to be appropriate.

ii. Valuation of inventories (RMB 85.580 million) (Refer to Note 6 to the financial statements)

The Group's work-in-progress inventories amounting to RMB84.700 million represents 99% of the total inventories. These inventories relate mainly to the direct costs incurred for wine production.

Management has estimated the net realisable value of the work-in-progress inventories based on certain assumptions relating to spoilage and obsolescence. Obsolescence considerations include inventory aging profile, as well as different market factors impacting the sale of these product lines.

Inappropriate judgement and estimate made in estimating the conditions and estimated selling price would result in a significant impact on the net realisable value of the work-in-progress inventories. Disclosure on the above significant judgement is made in Note 3.2(b) to the financial statements and further information related to the write-down of the inventories to its net realisable values is disclosed under Note 6 to the financial statements.

Audit Response

The External Auditors' audit procedures to validate the valuation of the inventories included the performance of test of details on actual margins and valuation of obsolete inventories. They assessed whether there are inventories which were sold with negative margin by evaluating sales invoices issued subsequent to year end to validate management's assessment and decision as to whether inventories need to be adjusted to their net realisable values.

Based on the work performed, they found management's estimates to be reasonable.

They also found the disclosures in the financial statements to be adequate.

iii. Impairment of property, plant and equipment (RMB 32.560 million) Refer to Note 9 to the financial statements

As at 31 December 2020, property, plant and equipment with carrying amounts of RMB32.560 million constituted approximately 17% of the total assets of the Group.

During the current financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment.

The review process involves significant judgement in determining the appropriate valuation methods to be used, and in estimating the key underlying assumptions to be applied.

These critical judgement and significant estimation are disclosed in Note 3.1(b) to the financial statements.

Audit Response

The External Auditors' audit procedures focused on evaluating the appropriateness and adequacy of the impairment loss recognised for property, plant and equipment.

Based on their work performed, They assessed management's key assumptions and review process to be reasonable.

They also found the disclosures in the financial statements to be adequate.

iv. Allowance for impairment for non-trade amount due from subsidiary (RMB 76.418 million) and impairment of investment in subsidiary (RMB 60.135 million) Refer to Notes 5 and 8 to the financial statements

As at 31 December 2020, the Company has investment in subsidiary with carrying amount of RMB 60.135 million. During the current financial year, there are impairment indicators which require the Group to perform an assessment on the recoverable amount of the investment in subsidiary using a discounted cash flow model for the next five years.

Based on the result of the assessment, the Company has fully impaired the investment in subsidiary. Furthermore, the Company has amount owing from its subsidiary amounting to RMB 76.418 million. The management has assessed the future operating and financial performance of the subsidiary to be unfavourable. As a result, the management has fully impaired on the amount due from subsidiary.

Audit Response

The External Auditors evaluated the reasonableness of the estimates and assumptions in the discounted cash flow model.

Based on their work performed, they found the significant estimates and key assumption within the discounted cash flow model to be reasonable.

They also found the disclosures in the financial statements to be adequate.

v. Valuation of financial asset, at fair value through profit or loss (RMB16.061 million) Refer to Note 7 to the financial statements

As at 31 December 2020, the Group has financial asset, at fair value through profit or loss amounting to the RMB16.061 million. The determination of the fair value requires significant judgement and the best estimate of realisation of the amounts from bank.

Inappropriate estimates made in the fair value measurement would result in a significant impact on the carrying amount of the financial asset, at fair value through profit or loss. Disclosure on the above significant management's estimate is provided in Note 3.2(e) to the financial statements and further information related to the financial asset, at fair value through profit or loss is in Note 24 to the financial statements.

Audit Response

The External Auditors validated the valuation of the financial asset, at fair value through profit or loss included performance of test of details on realisation of the financial asset, at fair value through profit or loss. They assessed whether the fair value of financial asset is measured appropriately.

Based on their work performed, they found management's estimates to be reasonable.

They also found the disclosures in the financial statements to be adequate

(b) STEPS TAKEN OR PROPOSED TO BE TAKEN TO ADDRESS THOSE KEY AUDIT MATTERS THAT RELATE TO THE QUALIFIED OPINION AND MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

i. Key Audit Matters that relate to the Qualified Opinion

There had been some progress on the Transfer since the announcement made on 30 April 2021, where the local government officers in charge of the Transfer had contacted the Company twice, and entrusted an independent third party to evaluate the state-owned property to determine whether the Transfer price is reasonable.

There was also no confirmation given by any of the government officer on the completion date of the Application. Thus, the Board is unable to ascertain the completion date of the Transfer.

China Ouhua will proactively follow up with the relevant government authorities of the PRC to ensure the land title ownership is transferred to Yantai Ouhua.

ii. Key Audit Matters that relate to the Material Uncertainty Related to Going Concern

Management of the Company wishes to highlight that although the Company's current operating result is at negative, the loss was mainly due to the impairment of inventories, which amounted to RMB12.898 million. The Company has sufficient cash and relatively good basic business. With many years of operating experiences in the wine industry, Management was of the view that there is no risk of continuing its operations.

As at the Financial Year ended 31 December 2020, China Ouhua had cash and cash equivalent amounting to RMB8.49 million with no external borrowing. The total current assets were recorded at RMB163.63 million whereby the total current liability was recorded at RMB2.63 million. Therefore, China Ouhua is confident that its existing financial standing is sufficient to finance its working capital requirements for the next 24 months.

Management would continue to work hard in developing the wine business. During the financial year ended 31 December 2020, the sales of imported wine had improved and have brought some positive impact to the Company's overall performance. However, in view of the prolonged COVID-19 pandemic, the Company will continue to expect challenging times ahead. Despite that, the Management is confident to lead the Company to a new era by diversifying into importation of overseas wine to market in new areas and online business.

The Management had placed extra effort in the collection of trade receivables particularly on those which has fallen due. Management team with the help of lawyers had successfully negotiated a settlement plan with those customers who has long outstanding amount owing to the Company. Currently, the Management is reassessing the customer credit terms and would stop selling to customers who are not able to meet the 90 days credit terms.

(c) Timeline For The Steps Referred To Sub-Paragraph (b) Above

i. Timeline for the Steps for Qualified Opinion

There was no confirmation given by any of the government officer on the completion date of the Application. Thus, the Board is unable to ascertain the completion date of the Transfer. China Ouhua will proactively follow up with the relevant government authorities of the PRC to ensure the land title ownership to be transferred to Yantai Ouhua. Barring any unforeseen circumstances, the Board is of the view that the whole process should be able to complete within six (6) months from 28 October 2021.

ii. Timeline for the Steps for Material Uncertainty Related to Going Concern



The Company would proactively identify new businesses to be developed and targeted to be in operation during the financial year ending 2021.