



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
		YEAR TO DATE ENDED 31/Dec/21 RMB'000	YEAR TO DATE ENDED 31/Dec/20 RMB'000	YEAR TO DATE ENDED 31/Dec/21 RM'000	YEAR TO DATE ENDED 31/Dec/20 RM'000
Revenue		15,721	20,499	10,298	13,428
Cost of sales		(15,272)	(19,991)	(10,004)	(13,095)
Gross Profit		449	508	294	333
Finance and other income		684	1,101	448	721
Marketing and distribution		(3,142)	(3,126)	(2,058)	(2,048)
Administrative expenses		(2,250)	(15,215)	(1,474)	(9,966)
Other expenses		(4)	(4)	(3)	(3)
(Loss)/profit before tax		(4,263)	(16,736)	(2,793)	(10,963)
Income tax expenses	B4	-	-	-	-
(Loss)/profit net of tax		(4,263)	(16,736)	(2,793)	(10,963)
<b>Total comprehensive (loss)/ income for the period</b>		<b>(4,263)</b>	<b>(16,736)</b>	<b>(2,793)</b>	<b>(10,963)</b>
<b>(Loss)/profit attributable to :</b>					
- Owners of the parent		(4,083)	(15,938)	(2,675)	(10,440)
- Non-controlling interests		(180)	(798)	(118)	(523)
		(4,263)	(16,736)	(2,793)	(10,963)
<b>Total comprehensive (loss)/ income attributable to :</b>					
- Owners of the parent		(4,083)	(15,938)	(2,675)	(10,440)
- Non-controlling interests		(180)	(798)	(118)	(523)
		(4,263)	(16,736)	(2,793)	(10,963)
<b>(Loss)/earnings per share from Group's net (loss)/profit attributable to shareholders</b>	B11				
Basic (RMB cents / RM sen)		(0.61)	(2.39)	(0.40)	(1.56)
Diluted (RMB cents / RM sen)		(0.61)	(2.39)	(0.40)	(1.56)

(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 RM0.65503 as at 31 Dec 2021.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED  
 Stock Name : CNOUHUA  
 Financial Period End : 31 DECEMBER 2021  
 Quarter : 4  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
		QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
		31/Dec/21	31/Dec/20	31/Dec/21	31/Dec/20
		RMB'000	RMB'000	RM'000	RM'000
Revenue		5,040	6,319	3,301	4,139
Cost of sales		(4,854)	(6,108)	(3,179)	(4,001)
Gross Profit		186	211	122	138
Finance and other income		186	1,077	122	705
Marketing and distribution		(825)	(764)	(540)	(500)
Administrative expenses		(1,192)	(13,846)	(781)	(9,069)
Other expenses		-	-	-	-
Profit/(Loss) before tax		(1,645)	(13,322)	(1,077)	(8,726)
Income tax expenses	B4	-	-	-	-
<b>Profit/(Loss) net of tax</b>		<b>(1,645)</b>	<b>(13,322)</b>	<b>(1,077)</b>	<b>(8,726)</b>
<b>Other comprehensive income:</b>					
Foreign currency translation		-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>(1,645)</b>	<b>(13,322)</b>	<b>(1,077)</b>	<b>(8,726)</b>
<b>Profit/(Loss) attributable to :</b>					
- Owners of the parent		(1,585)	(12,691)	(1,038)	(8,313)
- Non-controlling interests		(60)	(631)	(39)	(413)
		<b>(1,645)</b>	<b>(13,322)</b>	<b>(1,077)</b>	<b>(8,726)</b>
<b>Total comprehensive (loss)/income attributable to :</b>					
- Owners of the parent		(1,585)	(12,691)	(1,038)	(8,313)
- Non-controlling interests		(60)	(631)	(39)	(413)
		<b>(1,645)</b>	<b>(13,322)</b>	<b>(1,077)</b>	<b>(8,726)</b>
<b>(Loss)/earnings per share from Group's net (loss)/profit attributable to shareholders</b>	B11				
Basic (RMB cents / RM sen)		(0.24)	(1.90)	(0.16)	(1.24)
Diluted (RMB cents / RM sen)		(0.24)	(1.90)	(0.16)	(1.24)

(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 RM0.65503 as at 31 Dec 2021.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED  
 Stock Name : CNOUHUA  
 Financial Period Ended : 31 DECEMBER 2021  
 Quarter : 4  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

PARTICULARS	NOTE	UNAUDITED	AUDITED	UNAUDITED	AUDITED
		AS AT 31/Dec/21 RMB'000	AS AT 31/Dec/20 RMB'000	AS AT 31/Dec/21 RM'000	AS AT 31/Dec/20 RM'000 (Restated)
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment		29,505	32,560	19,327	21,328
Biological assets		-	-	-	-
Prepayments		-	-	-	-
		<u>29,505</u>	<u>32,560</u>	<u>19,327</u>	<u>21,328</u>
<b>Current assets</b>					
Inventories		21,124	16,272	13,837	10,659
Trade and other receivables		120,324	122,804	78,815	80,440
Financial asset, at FVPL		-	16,061	-	10,521
Cash and cash equivalents		23,834	8,490	15,612	5,561
		<u>165,282</u>	<u>163,627</u>	<u>108,264</u>	<u>107,181</u>
<b>Current liabilities</b>					
Trade and other payables		5,490	2,627	3,596	1,721
Other liabilities		-	-	-	-
		<u>5,490</u>	<u>2,627</u>	<u>3,596</u>	<u>1,721</u>
Net current assets		<u>159,792</u>	<u>161,000</u>	<u>104,668</u>	<u>105,460</u>
<b>Non-current liability</b>					
Deferred tax liabilities		-	-	-	-
<b>Net assets</b>		<u>189,297</u>	<u>193,560</u>	<u>123,995</u>	<u>126,788</u>
<b>EQUITY</b>					
Share capital		205,838	205,838	134,830	134,830
Other reserve		30,531	30,531	19,999	19,999
Accumulated losses		(50,712)	(46,629)	(33,218)	(30,543)
Non-controlling interests		3,640	3,820	2,384	2,502
Total equity		<u>189,297</u>	<u>193,560</u>	<u>123,995</u>	<u>126,788</u>
Net Assets per share attributable to equity holders of the Group (RMB / RM)		0.28	0.29	0.19	0.19

(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:**  
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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED  
 Stock Name : CNOUHUA  
 Financial Period Ended : 31 DECEMBER 2021  
 Quarter : 4

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	
<i>(IN RMB)</i>						
At 1 January 2021	205,838	29,508	1,023	(46,629)	189,740	193,560
<b>Loss and other comprehensive(loss)/profit for the year</b>						
At 31 December 2021	205,838	29,508	1,023	(4,083)	185,657	189,297
<i>(IN RM)</i>						
At 1 January 2021	134,830	19,329	670	(30,543)	124,286	126,788
<b>Loss and other comprehensive(loss)/profit for the year</b>						
At 31 December 2021	134,830	19,329	670	(2,675)	121,611	123,995

(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:**

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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED  
 Stock Name : CNOUHUA  
 Financial Period Ended : 31 DECEMBER 2021  
 Quarter : 4



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to Equity Holders of The Group				Non-controlling interests	Total Equity
	Share Capital	Statutory Reserve funds	Other capital reserves	Accumulated Losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(IN RMB)						
at 1 January 2020	205,838	29,508	1,023	(30,691)	4,618	210,296
Profit for the period	-	-	-	(15,938)	(798)	(16,736)
At 31 December 2020	205,838	29,508	1,023	(46,629)	3,820	193,560
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(IN RM)						
at 1 January 2020	134,830	19,329	670	(20,103)	3,025	137,751
Profit for the period	-	-	-	(10,440)	(523)	(10,963)
At 31 December 2020	134,830	19,329	670	(30,543)	2,502	126,788

(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:**  
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Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED  
 Stock Name : CNOUHUA  
 Financial Period Ended : 31 DECEMBER 2021  
 Quarter : 4  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021



**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	CURRENT YEAR TO DATE 31/Dec/21 RMB'000	PRECEDING CORRESPONDING YEAR TO DATE 31/Dec/20 RMB'000	CURRENT YEAR TO DATE 31/Dec/21 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE 31/Dec/20 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(4,263)	(16,736)	(2,793)	(10,963)
Adjustments for :-				
Depreciation and amortisation expenses	3,055	3,085	2,001	2,021
Reversal for impairment loss of property, plant and equipment		(593)		(388)
Loss on disposal of PPE				(302)
Fair value gain on financial asset, at FVPL		(461)		
(Reversal)/ Allowance for inventory obsolescence	(27)	12,898	(18)	8,449
Inventories written off	399		262	
Interest income	(6)	(24)	(4)	(16)
<b>Operating profit before working capital changes</b>	<b>(842)</b>	<b>(1,831)</b>	<b>(552)</b>	<b>(1,199)</b>
<i>Decrease/(increase) in:</i>				
Inventories	(5,224)	818	(3,422)	536
Trade and other receivables	2,480	3,158	1,625	2,068
Financial assets, at FVPL	1,461		957	
<i>(Decrease)/increase in:</i>				
Trade and other payables	2,863	392	1,875	257
Other liabilities	-	-	-	-
<b>Cash flows used in operations</b>	<b>738</b>	<b>2,537</b>	<b>483</b>	<b>1,662</b>
Interest income received	6	24	4	16
<b>Net cash flows used in operating activities</b>	<b>744</b>	<b>2,561</b>	<b>487</b>	<b>1,678</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment				
Proceeds from sale of financial asset, at FVPL	46,600		30,524	
Purchase of financial asset, at FVPL	(32,000)	(15,600)	(20,960)	(10,219)
<b>Net cash flow generated from/(used in) investing activities</b>	<b>14,600</b>	<b>(15,600)</b>	<b>9,564</b>	<b>(10,219)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to shareholders	-	-	-	-
Dividends paid to non controlling-interests	-	-	-	-
Dividend recovered	-	-	-	-
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>15,344</b>	<b>(13,039)</b>	<b>10,051</b>	<b>(8,541)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>8,490</b>	<b>21,529</b>	<b>5,561</b>	<b>14,102</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>23,834</b>	<b>8,490</b>	<b>15,612</b>	<b>5,561</b>
<b>Cash and cash equivalents at the end of the period comprise the followings:</b>				
Cash on hand and at banks	23,834	8,490	15,612	5,561
	<b>23,834</b>	<b>8,490</b>	<b>15,612</b>	<b>5,561</b>

(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 RM0.65503 as at 31 Dec 2021.

## **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 December 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 cyclical nature 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 31 December 2021.

### **4. Changes in estimates**

There were no material changes in estimates for the financial period ended 31 December 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 31 December 2021.

## 7. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 31 December 2021.

## 8. Segment Information

### a) Operating segments

	White Wine	Red Wine	Total
<u>12 months ended 31 December 2021</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers		15,721	15,721
<b>Results</b>			
Segment gross profit		449	449
Unallocated expenses, net			(5,396)
Interest income			6
Other income			678
Loss before tax			(4,263)
Income tax expense			-
Net loss			(4,263)
	White Wine	Red Wine	Total
<u>12 months ended 31 December 2020</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers		20,499	20,499
<b>Results</b>			
Segment gross profit		508	508
Unallocated expenses, net			(18,345)
Interest income			24
Other income			1,077
Profit before tax			(16,736)
Income tax expense			-
Net Profit			(16,736)

### Other segment information

	International Label	Own Label	Total
<u>12 months ended 31 December 2021</u>	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers	15,721		15,721
	International Label	Own Label	Total
<u>12 months ended 31 December 2020</u>	RMB'000	RMB'000	RMB'000



<b>Revenue</b>			
Sales to external customers	20,499	20,499	20,499

#### b) Geographical segments

Segmented information by geographical region is not applicable for the financial period ended 31 December 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 fourth 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 31 December 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 31 December 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 31 December 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 31 December 2021	
	RMB'000	RM'000	RMB'000	RM'000
Realised retained profits:	(46,629)	(30,543)	(50,712)	(33,218)
Unrealised retained profits:	-----	-----	-----	-----
Total group retained profits:	(46,629)	(30,543)	(50,712)	(33,218)
	=====	=====	=====	=====

## 15. Recurring related party transactions

For the financial period ended 31 December 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 (4th quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/12/21 RMB'000	31/12/20 RMB'000		31/12/21 RMB'000	31/12/20 RMB'000	
Revenue	5,040	6,319	-20.24	15,721	20,499	-23.31
Operating Loss	(1,645)	(13,322)	-87.65	(4,263)	(16,736)	-74.53
Loss Before Interest and Tax	(1,645)	(13,322)	-87.65	(4,263)	(16,736)	-74.53
Loss Before Tax	(1,645)	(13,322)	-87.65	(4,263)	(16,736)	-74.53
Loss After Tax	(1,645)	(13,322)	-87.65	(4,263)	(16,736)	-74.53
Loss Attributable to Ordinary Equity Holders of the Parent	(1,585)	(12,691)	-87.51	(4,083)	(15,938)	-74.38

For the current quarter ended 31 December 2021("4Q2021"), the Group's revenue decreased by RMB1.279 million or 20.24% to RMB5.040 million, from RMB6.319 million in the same period last year ("4Q2020"). Loss before tax in this current quarter decreased by RMB11.677 million from loss of RMB13.322 million in 4Q2020 to loss of RMB1.645 million in 4Q2021. The higher loss figure in 4Q2020 was mainly due to Inventories written down, which amount to RMB12.898 million.

For the financial period ended 31 December 2021 ("12M2021"), the Group's revenue decreased by RMB4.778million or 23.31% to RMB15.721million, from RMB20.499million in the previous corresponding period ended 31 December 2020 ("12M2020"). Loss before tax decreased by RMB12.473million from loss of RMB16.736million in 12M2020 to loss of RMB4.263 million in 12M2021. This was

mainly attributed to Inventories written down, which amount to RMB12.898 million in 12M2020. Eliminate the aforementioned factor the 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 31/12/21 RMB'000	Immediate Preceding Quarter 30/9/21 RMB'000	Changes (Amount / %)
Revenue	5,040	6,176	-18.39
Operating loss	(1,645)	(539)	205.19
Loss Before Interest and Tax	(1,645)	(539)	205.19
Loss Before Tax	(1,645)	(539)	205.19
Loss After Tax	(1,645)	(539)	205.19
Loss Attributable to Ordinary Equity Holders of the Parent holders of the parent	(1,585)	(514)	208.37

For the current quarter, the Group made a decrease in revenue of RMB1.136million from RMB6.176million to RMB5.040million and a increase in loss net of tax of RMB1.106million from loss of RMB0.539 million to loss of RMB1.645 million as compared to the immediate preceding quarter ended 30 September 2021. The higher loss figure in 4Q2021 was mainly due to Inventories written down, which amount to RMB0.399 million.

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. Although the Turnaround Team-China has tried its best effort to improve the sales, the Turnaround Team noted from their research, the wine industry was the slowest to recover from the pandemic Covid 19, lagging behind the baijiu, beer and even rice wine market.

## 3. Prospects

In the financial year ended 31 December 2021, the operating results were badly affected by the prolonged impact of the COVID-19, 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 (1QTR of 2022).

#### **i. Turnaround Team 1 focuses on Wine Business**

For current business model, the Turnaround Team 1 have not appointed new sales agents yet due to the reasons as explained in Section B.2.

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.

The company used to import Australian wines but since April 2021, China have slapped a 218% import tariff on Australian wines and the company have to look for alternatives countries to import the wine for its business.

The Team is currently exploring the online sales platform as there are approximately 707m online shoppers, based on WSC Market Insight report 14 July 2021 via mobile phone such as Tencent Wechat, Sina Weibo etc.

#### **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 professional Advisors. The Team have preliminary evaluation of trading in gloves but due to the challenging market have decided not to pursue further as the ASP price of the gloves keep falling. The Team will continue to look for profitable and viable business in the coming months. Currently the Team is reviewing some tele-communication business and fund-raising exercise.

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 31 December 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 31 December 2021.

## **7. Purchase or disposal of quoted securities**

No purchase or disposal of quoted securities by the Group in the financial period ended 31 December 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 fourth 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 31 December 2021 and 31 December 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 31 December 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 2022.