

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
Stock Name : CNOUHUA
Financial Period Ended : 31 MARCH 2024
Quarter : 1
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
		YEAR TO DATE ENDED 31/Mar/24 RMB'000	YEAR TO DATE ENDED 31/Mar/23 RMB'000	YEAR TO DATE ENDED 31/Mar/24 RM'000	YEAR TO DATE ENDED 31/Mar/23 RM'000
Revenue		4,526	3,321	2,936	2,154
Cost of sales		(4,129)	(3,131)	(2,678)	(2,031)
Gross Profit		397	190	258	123
Finance and other income		24	16	15	10
Marketing and distribution		(509)	(279)	(330)	(181)
Administrative expenses		(347)	(799)	(225)	(518)
Other expenses		(2)	(2)	(1)	(1)
(Loss)/profit before tax		(437)	(874)	(283)	(567)
Income tax expenses	B4	-	-	-	-
(Loss)/profit net of tax		(437)	(874)	(283)	(567)
Total comprehensive (loss)/ income for the period		(437)	(874)	(283)	(567)
(Loss)/profit attributable to :					
- Owners of the parent		(419)	(831)	(272)	(539)
- Non-controlling interests		(18)	(43)	(11)	(28)
		(437)	(874)	(283)	(567)
Total comprehensive (loss)/ income attributable to :					
- Owners of the parent		(419)	(831)	(272)	(539)
- Non-controlling interests		(18)	(43)	(11)	(28)
		(437)	(874)	(283)	(567)
(Loss)/earnings per share from Group's net (loss)/profit attributable to shareholders	B11				
Basic (RMB cents / RM sen)		(0.06)	(0.12)	(0.04)	(0.08)
Diluted (RMB cents / RM sen)		(0.06)	(0.12)	(0.04)	(0.08)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 RM0.6487 as at 29 Dec 2023.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		CURRENT QUARTER 31/Mar/24 RMB'000	PRECEDING YEAR CORRESPONDING QUARTER 31/Mar/23 RMB'000	CURRENT QUARTER 31/Mar/24 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/Mar/23 RM'000
Revenue		4,526	3,321	2,936	2,154
Cost of sales		(4,129)	(3,131)	(2,678)	(2,031)
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Administrative expenses		(347)	(799)	(225)	(518)
Other expenses		(2)	(2)	(1)	(1)
Profit/(Loss) before tax		(437)	(874)	(283)	(567)
Income tax expenses	B4	-	-	-	-
Profit/(Loss) net of tax		(437)	(874)	(283)	(567)
Other comprehensive Income:					
Foreign currency translation		-	-	-	-
Total comprehensive income/(loss) for the period		(437)	(874)	(283)	(567)
Profit/(Loss) attributable to :					
- Owners of the parent		(419)	(831)	(272)	(539)
- Non-controlling interests		(18)	(43)	(11)	(28)
		(437)	(874)	(283)	(567)
Total comprehensive (loss)/income attributable to :					
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Diluted (RMB cents / RM sen)		(0.06)	(0.12)	(0.04)	(0.08)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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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 Financial Period Ended : 31 MARCH 2024
 Quarter : 1
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

PARTICULARS	NOTE	UNAUDITED	AUDITED	UNAUDITED	AUDITED
		AS AT 31/Mar/24 RMB'000	AS AT 31/Dec/23 RMB'000	AS AT 31/Mar/24 RM'000	AS AT 31/Dec/23 RM'000 (Restated)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		19,248	19,778	12,486	12,830
Biological assets		-	-	-	-
Prepayments		-	-	-	-
		<u>19,248</u>	<u>19,778</u>	<u>12,486</u>	<u>12,830</u>
Current assets					
Inventories		926	4,929	601	3,197
Trade and other receivables		119,497	119,315	77,518	77,400
Financial asset, at FVPL		-	-	-	-
Cash and cash equivalents		23,289	19,546	15,107	12,679
		<u>143,712</u>	<u>143,790</u>	<u>93,226</u>	<u>93,276</u>
Current liabilities					
Trade and other payables		7,443	7,614	4,828	4,939
Other liabilities		-	-	-	-
		<u>7,443</u>	<u>7,614</u>	<u>4,828</u>	<u>4,939</u>
Net current assets		<u>136,269</u>	<u>136,176</u>	<u>88,398</u>	<u>88,337</u>
Non-current liability					
Deferred tax liabilities		-	-	-	-
Net assets		<u>155,517</u>	<u>155,954</u>	<u>100,884</u>	<u>101,167</u>
EQUITY					
Share capital		205,838	205,838	133,527	133,527
Other reserve		30,531	30,531	19,805	19,805
Accumulated losses		(82,887)	(82,468)	(53,769)	(53,497)
Non-controlling interests		2,035	2,053	1,321	1,332
Total equity		<u>155,517</u>	<u>155,954</u>	<u>100,884</u>	<u>101,167</u>
Net Assets per share attributable to equity holders of the Group (RMB / RM)		0.23	0.23	0.15	0.15

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2023 and the accompanying explanatory notes attached to the financial statements.)

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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 RM0.6487 as at 29 Dec 2023.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUA
 Financial Period Ended : 31 MARCH 2024
 Quarter : 1



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Equity Holders of The Group →				Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
	Share Capital RMB'000	Statutory Reserve funds RMB'000	Other capital reserves RMB'000	Accumulated Losses RMB'000			
(IN RMB)							
At 1 January 2024	205,838	29,508	1,023	(82,468)	153,901	2,053	155,954
Loss and other comprehensive(loss)/profit for the year	-	-	-	(419)	(419)	(18)	(437)
At 31 March 2024	205,838	29,508	1,023	(82,887)	153,482	2,035	155,517
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(IN RM)							
At 1 January 2024	133,527	19,142	663	(53,497)	99,835	1,332	101,167
Loss and other comprehensive(loss)/profit for the year	-	-	-	(272)	(272)	(11)	(283)
At 31 March 2024	133,527	19,142	663	(53,769)	99,563	1,321	100,884

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 RM0.6487 as at 29 Dec 2023.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
 Stock Name : CNOUHUA
 Financial Period Ended : 31 MARCH 2024
 Quarter : 1



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Equity Holders of The Group →				Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
	Share Capital RMB'000	Statutory Reserve funds RMB'000	Other capital reserves RMB'000	Accumulated Losses RMB'000			
(IN RMB)							
at 1 January 2023	205,838	29,508	1,023	(75,399)	160,970	2,387	163,357
Profit for the period	-	-	-	(831)	(831)	(43)	(874)
At 31 March 2023	<u>205,838</u>	<u>29,508</u>	<u>1,023</u>	<u>(76,230)</u>	<u>160,139</u>	<u>2,344</u>	<u>162,483</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(IN RM)							
at 1 January 2023	133,527	19,142	663	(48,911)	104,421	1,549	105,970
Profit for the period	-	-	-	(539)	(539)	(28)	(567)
At 31 March 2023	<u>133,527</u>	<u>19,142</u>	<u>663</u>	<u>(49,450)</u>	<u>103,882</u>	<u>1,521</u>	<u>105,403</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 RM0.6487 as at 29 Dec 2023.

Company Name : CHINA OUHUA WINERY HOLDINGS LIMITED
Stock Name : CNOUHUA
Financial Period Ended : 31 MARCH 2024
Quarter : 1



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CURRENT YEAR TO DATE 31/Mar/24 RMB'000	PRECEDING CORRESPONDING YEAR TO DATE 31/Mar/23 RMB'000	CURRENT YEAR TO DATE 31/Mar/24 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE 31/Mar/23 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(437)	(874)	(283)	(567)
Adjustments for :-				
Depreciation and amortisation expenses	530	175	344	114
Impairment loss on PPE	-	-	-	-
Investment income from bank financial product	-	-	-	-
Fair value gain on financial asset, at FVPL	-	(7)	-	(5)
(Reversal)/ Allowance for inventory obsolescence	-	-	-	-
Inventories written off	-	-	-	-
Interest income	(21)	(7)	(14)	(5)
Operating profit before working capital changes	72	(713)	47	(463)
<i>Decrease/(increase) in:</i>				
Inventories	4,003	2,943	2,596	1,909
Trade and other receivables	(182)	(2,304)	(118)	(1,495)
<i>(Decrease)/increase in:</i>				
Trade and other payables	(171)	(1,451)	(111)	(941)
Other liabilities	-	-	-	-
Cash flows used in operations	3,722	(1,525)	2,414	(990)
Interest income received	21	7	14	5
Net cash flows used in operating activities	3,743	(1,518)	2,428	(985)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-	-	-	-
Proceeds from sale of financial asset, at FVPL	-	557	-	361
Purchase of financial asset, at FVPL	-	-	-	-
Net cash flow generated from/(used in) investing activities	-	557	-	361
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	3,743	(961)	2,428	(624)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	19,546	10,611	12,679	6,884
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	23,289	9,650	15,107	6,260
Cash and cash equivalents at the end of the period comprise the followings:				
Cash on hand and at banks	23,289	9,650	15,107	6,260
	23,289	9,650	15,107	6,260

(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 2023)

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 RM0.6487 as at 29 Dec 2023.

A. NOTES TO THE QUARTERLY RESULTS

1. Basis of accounting and changes in accounting policies

a) Basis of accounting

The condensed consolidated financial statements for the financial period ended 31 March 2024 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 2023 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 31 March 2024.

4. Changes in estimates

There were no material changes in estimates for the financial period ended 31 March 2024.

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 March 2024.

7. Dividends Payable

The Board of directors does not recommend any interim dividend for the current quarter ended 31 March 2024.

8. Segment Information

a) Operating segments

<u>3 months ended 31 March 2024</u>	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
Revenue			
Sales to external customers		4,526	4,526
Results			
Segment gross profit		397	397
Unallocated expenses, net			(858)
Interest income			21
Other income			3
Loss before tax			(437)
Income tax expense			-
Net loss			(437)
	White Wine RMB'000	Red Wine RMB'000	Total RMB'000
<u>3 months ended 31 March 2023</u>			
Revenue			
Sales to external customers		3,321	3,321
Results			
Segment gross profit		190	190
Unallocated expenses, net			(1,080)
Interest income			7
Other income			9
Profit before tax			(874)
Income tax expense			-
Net Profit			(874)

Other segment information

<u>3 months ended 31 March 2024</u>	International Label RMB'000	Own Label RMB'000	Total RMB'000
Revenue			
Sales to external customers	4,526		4,526
	International Label RMB'000	Own Label RMB'000	Total RMB'000
<u>3 months ended 31 March 2023</u>			
Revenue			
Sales to external customers	3,321		3,321

b) Geographical segments

Segmented information by geographical region is not applicable for the financial period ended 31 March 2024 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 first quarter report as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2024.

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 March 2024.

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 March 2024.

14. Accumulated Losses

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

	As at 31 Dec 2023		As at 31 March 2024	
	RMB'000	RM'000	RMB'000	RM'000
Realised retained profits:	(82,468)	(53,497)	(82,887)	(53,769)
Unrealised retained profits:	-----	-----	-----	-----
Total group retained profits:	(82,468)	(53,497)	(82,887)	(53,769)
	=====	=====	=====	=====

15. Recurring related party transactions

For the financial period ended 31 March 2024, the Group rented office and factory premises from a director-related company, Yantai Ouhua Winery Co., Ltd, with annual rental expense amounting to RMB793,800.

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 (1st quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/3/24 RMB'000	31/3/23 RMB'000		31/3/24 RMB'000	31/3/23 RMB'000	
Revenue	4,526	3,321	36.28	4,526	3,321	36.28
Operating Loss	(437)	(874)	-50.00	(437)	(874)	-50.00
Loss Before Interest and Tax	(437)	(874)	-50.00	(437)	(874)	-50.00
Loss Before Tax	(437)	(874)	-50.00	(437)	(874)	-50.00
Loss After Tax	(437)	(874)	-50.00	(437)	(874)	-50.00
Loss Attributable to Ordinary Equity Holders of the Parent	(419)	(831)	-49.58	(419)	(831)	-49.58

For the current quarter ended 31 March 2024("1Q2024"), the Group's revenue increased by RMB1.205 million or 36.28% to RMB4.526 million, from RMB3.321 million in the same period last year ("1Q2023"). Loss before tax in this current quarter decreased by RMB0.437 million from loss of RMB0.874 million in 1Q2023 to loss of RMB0.437 million in 1Q2024. The lower loss figure in 1Q2024 was mainly due to Reversal for inventory obsolescence, which amount to RMB0.211 million, the sales figure has shown some pick up, reflecting Management's effort to make more sales. currently the Chinese winery market was quite flat, that was caused by the general environment and the market.

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 31/3/24 RMB'000	Immediate Preceding Quarter 31/12/23 RMB'000	Changes (Amount / %)
Revenue	4,526	5,063	-10.61
Operating loss	(437)	(1,389)	-68.54
Loss Before Interest and Tax	(437)	(1,389)	-68.54
Loss Before Tax	(437)	(1,389)	-68.54
Loss After Tax	(437)	(1,389)	-68.54
Loss Attributable to Ordinary Equity Holders of the Parent holders of the parent	(419)	(1,349)	-68.94

For the current quarter, the Group made a decrease in revenue of RMB0.537million from RMB5.063million to RMB4.526million and an decrease in loss net of tax of RMB0.952million from loss of RMB1.389 million to loss of RMB0.437 million as compared to the immediate preceding quarter ended 31 December 2023. The higher loss figure in 4Q2023 was mainly due to Provision for audit expenses amounting to RMB0.237million. the sales figure has shown some pick up, reflecting Management's effort to make more sales.

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 Baijiu is the best selling product in China, and hence reduce the market demand for wine and beer. This is an cyclical change in the market.

3. Prospects

In the financial period ended 31 March 2024, the operating results were badly affected by flat Chinese winery market, None of red wine and white wine was favoured by the consumers as before. moving forward,the Company still faces a challenging time ahead.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 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 future.

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.

Currently the Company has set up online team 1 in order look into the possibility of online sales but is still in the exploring stage. This is due to online sales is very competitive. In order to stand up among competitor, you need to set very low selling price, some more the charges for using online sales platform is very costly. All these will lead to very low profit margin. The Company has tried before but the result is not good as expected. Nevertheless, the Company will keep on exploring this online sales method.

Turnaround Team 1 attended 2023 (7th) China Liquor Exhibition Activities on 6 July 2023, which was held in Qingdao, and also attended 2023 Yantai International Wine Festival, which was held in Yantai.

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 Project Management Contract.

In February 2023, with the help of a professional Advisor, the Company made a Consultation with the Securities Commission Malaysia, in relate to a proposed acquisition, Due to the similarity in the business nature of both the Company and target company, the Proposed Acquisition will expand the Company's source of income in the alcoholic beverages sector, which is in line with the Group's long-term objective to achieve sustainable growth and value creation for its shareholder.

The Group did site visit of durian plantation and F&B chain in Malaysia during early June 2023.

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 March 2024.

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 March 2024.

7. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the financial period ended 31 March 2024.

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 first 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 March 2024 and 31 March 2023 were computed by dividing the (loss)/profit net of tax and minority interests of the respective financial period by the weighted average number of ordinary shares of 668,000,000 each respectively. There was no potential dilutive instrument as at 31 March 2024.

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 2023 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 2023 ("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 2023 were necessary.

Material Uncertainty Related to Going Concern

The Group incurred a net loss of RMB7,403,000 and had an operating cash outflow of RMB3,196,000 during the year ended 31 December 2023. As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The External Auditors' opinion is not modified 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. Assessment of impairment of property, plant and equipment (RMB19.778 million) Refer to Note 9 to the financial statements

As at 31 December 2023, property, plant and equipment with carrying amount of RMB19.778 million constituted approximately 12% of the total assets of the Group. The carrying amount is after deducting accumulated impairment loss of RMB6.473 million.

At the end of the reporting period, the Group carried out an assessment of its property, plant and equipment. Management has considered the external and internal indicators in assessing if any further impairment or reversal of impairment is to be recorded.

Should indication of impairment exists, an impairment assessment to estimate the recoverable amount of the asset will be performed accordingly.

The carrying value of property, plant and equipment is considered to be a Key Audit Matter as the amount involved is significant and judgements inherent in impairment review.

Audit Response

The External Auditors obtained an understanding on the Group's policies and procedures to identify impairment indicators of property, plant and equipment, and performed the following procedures in relation to management's impairment assessments:

Auditors' procedures included, amongst others:

- 1) Obtaining an understanding of and evaluating management's process and controls related to the assessment of the existence of impairment indicators.
- 2) Reviewing and assessing management's assessment of the existence of any impairment indicators.
- 3) Considering each of the internal and external factors and assessing whether any indicators of impairment are present.
- 4) Assessing the adequacy of the relevant disclosures in the financial statements.

ii. Allowance for inventory obsolescence (RMB4.929 million) (Refer to Note 6 to the financial statements)

The carrying value of inventories amounted to RMB4.929 million, which accounted for 3% of the Group's total assets as at 31 December 2023.

Inventories are carried in the financial statements at the lower of cost and net realisable value.

During the current financial year, the Group wrote down inventories of RMB211,000.

There are judgements and estimates involved in determining the amount of write down for slowmoving and obsolete inventories by considering factors such as the condition and age of inventories, future market demand, environmental regulations requirements and pricing competition.

The carrying value of inventories is considered to be a Key Audit Matter as the amount involved is significant and judgements inherent in determining the allowance for inventory obsolescence.

Audit Response

The External Auditors designed and performed the following key procedures among others:

- 1) Evaluated the appropriateness of the Group's accounting policies on the valuation of its inventories.
- 2) Checked and analysed the ageing of the inventories.
- 3) Evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value.
- 4) Reviewed management's assessment of the allowance for inventory obsolescence, taking into consideration inventory ageing, physical condition of the inventories, past and expected future sales.

(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 orderly progress on the Transfer since last announcement made on 30 April 2024. China Ouhua has made multiple contacts with the relevant local government departments to facilitate the Transfer, and local government departments are in support of the Transfer and will prioritise the Transfer matters.

Currently, the Transfer is pending for finalization of the valuation, the Company would then be required to make the necessary payment of taxes and fees related to Application for real estate certificate based on the valuation. Upon the requisite payment, the real estate certificate will be issued by the Real Estate Registration Center.

The Board is of the view that the Transfer will soon be completed.

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 had made many efforts to improve the sales revenue, but the wine market in China remains highly competitive and the change in local Consumption market had further impacted the Company's operating result. Despite that, 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 FY 2023, China Ouhua had cash and cash equivalent amounting to RMB19.546 million with no external borrowing. Total current assets was RMB143.790 million and total current liability was RMB7.614 million. Therefore, China Ouhua is confident that its existing financial standing is sufficient to finance its working capital requirements for the next 24 months.

The Management will continue to work hard to improve the sales revenue. The Management is confident to lead the Company to a new era in diversifying into importation of overseas wine to market in new areas and online business.

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

i. Timeline for the Steps for Qualified Opinion

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 30 April 2024.

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 2024.