CHINA OUHUA WINERY HOLDINGS LIMITED
(Incorporated in Singapore - Registration No. 200900709K)
And its Subsidiary

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

31 December 2017

UHY LEE SENG CHAN & CO
Public Accountants and
Chartered Accountants

CHINA OUHUA WINERY HOLDINGS LIMITED
(Incorporated in Singapore - Registration No. 200900709K)
And its Subsidiary

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

CONTENTS

CHINA OUHUA WINERY HOLDINGS LIMITED
(Incorporated in Singapore) and its subsidiary

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of China Ouhua Winery Holdings Limited (the "Company" and collectively with its subsidiary, the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS OF THE COMPANY

The directors of the Company in office at the date of this statement are:

Wang Chao
Sun Huifeng
Zhang Fuwei
Ang Yee Hooi
Zhang Li (appointed on 8 November 2017)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and related corporation as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 except as follows:

Name of director and companies in which interests are held	Shareholdings registered in the name of director and/or spouse At beginning of financial year	At end of financial year	Other shareholdings in which director is deemed to have an interest At beginning of financial year	At end of financial year
	No. of ordinary shares			
The Company				
China Ouhua Winery Holdings Limited				
(ordinary shares with no par value)				
Wang Chao	-	-	316,000,000	316,000,000*
The Subsidiary				
Yantai Fazenda Ouhua Winery Co. Ltd.				
(ordinary shares with no par value)				
Wang Chao	-	-	180,000	180,000

* The deemed interests of Wang Chao in the shares of the Company and its subsidiary arise from his shareholding interest in Hua Xin International Holdings Limited by virtue of Section 7(4) of the Singapore Companies Act.

SHARE OPTIONS

Options to subscribe for unissued shares
During the financial year, no options to subscribe for unissued shares of the Company or its subsidiary were granted.

Options exercised
During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of an option to take up unissued shares.

Unissued shares under option
At the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

AUDIT COMMITTEE

The members of the Audit Committee (“AC”) at the date of this statement are:

Sun Huifeng - Chairman
Zhang Fuwei - Member
Ang Yee Hooi - Member (appointed on 27 February 2018)

The Audit Committee performs its functions in accordance with Section 201B(5) of the Singapore Companies Act, Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”) and the Code of Corporate Governance.

The primary duties and responsibilities of the AC are as follows:

(i) To review audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
(ii) To review quarterly and annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board;
(iii) To review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
(iv) To meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
(v) To review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
(vi) To review the cost effectiveness and the independence and objectivity of the external auditors;
(vii) To recommend to the Board the nomination of external auditors, approve the compensation of the external and review the scope and results of the audit;
(viii) To report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
(ix) To review interested person transactions.

The AC is authorised by the Board to investigate any activity within its Terms of Reference. The AC has unlimited access to both internal auditors and external auditors as well as all employees of the Group. The AC shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

The AC has held 5 meetings during the financial year. The AC has also met with the external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Statement in the Annual Report of the Company.

INDEPENDENT AUDITOR

The independent auditor, UHY Lee Seng Chan & Co, has expressed its willingness to accept re-appointment.

On behalf of the directors,

Wang Chao Director	Zhang Fuwei Director

Singapore
25 April 2018

STATUTORY DECLARATION

Pursuant to Paragraph 9.27 of the Main Market Listing Manual Requirements of Bursa Malaysia Securities Berhad

I, Mr Wang Chao, being the officer primarily responsible for the financial management of China Ouhua Winery Holdings Limited, do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the prevailing laws governing declarations for oaths in China.

Subscribed and solemnly declared by the above mentioned
At Yantai, China on

This day of 25 April 2018

Wang Chao

Before me

Zhi Fu Notary Public Office Yantai City

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA OUHUA WINERY HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of China Ouhua Winery Holdings Limited (the Company) and its subsidiary (the Group) which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

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.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves of the extent of recoverability of the deposits of RMB 118,800,000 in the event that the transaction is not completed. Consequently, we were unable to determine whether any adjustments to the carrying amount of deposits as at 31 December 2017 were necessary.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA OUHUA WINERY HOLDINGS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Audit Responses
(1) Valuation of trade receivables (RMB20.533 million) **Refer to Note 5 to the financial statements**	
The Group has long outstanding trade receivables amounting to RMB890,000, representing 6% of the total trade receivables. Management monitors and assesses the Group's credit risk and where required, adjusts the level of impairment allowance, which requires management to make significant judgements regarding the expected future financial condition and payment ability of the debtors, especially where the debts are aged more than 150 days. 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 to the financial statements and further information related to the aged trade receivables is in Note 22(b) to the financial statements.	We have evaluated and challenged management's assessment on the recoverability of the Group's aged trade receivables which are past due but not impaired, including the assessment of any allowance to be made by the Group in respect of overdue debts. We have enquired with management on the reasons for the delay in payments of certain aged trade receivables and review of appropriateness of any allowance for impairment to be made by considering factors such as subsequent cash receipts, past payment records, ongoing business relationship with the debtors and the repayment plans agreed with the debtors. Based on our work performed, we found management's assessment of the recoverability of trade receivables, which premised on the repayment plans to be reasonable. We also found the disclosures in the financial statements to be adequate.
(2) Valuation of inventories (RMB87.147 million) **Refer to Note 6 to the financial statements**	
The Group's work-in-progress inventories amounting to RMB86.736 million represents 99% of the total inventories. These inventories relate mainly to the direct costs incurred for the wine production. The period over which the wine inventories are converted to finished goods can be a significant length of time and forecasting demand and market prices can vary significantly over the holding period up to the likely date of sale.	Our audit procedures to validate the valuation of the inventories included performance of test of details on actual margins and valuation of obsolete inventories. We assessed whether there were 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 be adjusted to their net realisable values.

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 given made in Note 3 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.	Based on the work performed, we found management's estimates to be reasonable. We also found the disclosures in the financial statements to be adequate.
(3) Impairment of property, plant and equipment and deposit for purchase of land buildings, and ancillary facilities (RMB 118.800 million) **Refer to Note 5 to the financial statements** As at 31 December 2017, property, plant and equipment and deposit for purchase of land, buildings and ancillary facilities with carrying amounts of RMB42.228 million and RMB118.800 million constituted approximately 17% and 48% of the total assets of the Group respectively. During the current financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment and deposit for purchase of land, buildings and ancillary facilities based on valuations carried out by an independent external valuer engaged by the Group. The valuation 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 to the financial statements.	Our audit procedures focused on evaluating the appropriateness and adequacy of the impairment loss recognised for property, plant and equipment. We have assessed the competency, capabilities and objectivity of the external valuer and obtained an understanding of his work . We have also challenged the key assumptions used by the external valuer in the valuation report. Based on our work performed, we found the external valuer's key assumptions and valuation methods to be reasonable. We also found the disclosures in the financial statements to be adequate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA OUHUA WINERY HOLDINGS LIMITED

Other Matter

The consolidated financial statements of China Ouhua Winery Holdings Limited for the financial year ended 31 December 2016 were audited by another independent auditor whose report dated 19 April 2017 expressed a qualified opinion on those financial statements. The basis for qualified opinion is disclosed in Note 24(b) to the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence on the recoverability of the Group's deposit to Huangwu Subdistrict Office. Accordingly we are unable to conclude whether the other information is materially misstated with respect to this matter.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA OUHUA WINERY HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA OUHUA WINERY HOLDINGS LIMITED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

The supplementary information set out in Note 23 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Lee Sen Choon.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
25 April 2018

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION
31 December 2017

		Group			Company		
	Note	**2017**	2016	2015	**2017**	2016	2015
		RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
			(Restated)	(Restated)		(Restated)	(Restated)
			[Note 24(a)]	[Note 24(a)]		[Note 24(a)]	[Note 24(a)]
ASSETS							
Current assets							
Cash and cash equivalents	4	**31,754**	26,316	53,777	**126**	202	353
Trade and other receivables	5	**134,117**	135,864	142,407	**77,957**	78,660	79,296
Inventories	6	**38,324**	43,342	60,845	**-**	-	-
		204,195	205,522	257,029	**78,083**	78,862	79,649
Non-current assets							
Investment in subsidiary	7	**-**	-	-	**60,135**	60,135	60,135
Property, plant and equipment	8	**42,228**	42,963	47,260	**-**	-	-
		42,228	42,963	47,260	**60,135**	60,135	60,135
Total assets		**246,423**	248,485	304,289	**138,218**	138,997	139,784
LIABILITIES							
Current liabilities							
Other payables	9	**2,519**	2,594	3,061	**1,219**	1,153	1,128
Non-current liabilities							
Deferred tax liabilities		**-**	-	15,299	**-**	-	-
Total liabilities		**2,519**	2,594	18,360	**1,219**	1,153	1,128
NET ASSETS		**243,904**	245,891	285,929	**136,999**	137,844	138,656
EQUITY							
Share capital	10	**205,838**	205,838	205,838	**205,838**	205,838	205,838
Other reserves	11	**30,531**	30,531	30,531	**1,023**	1,023	1,023
Retained earnings/ (Accumulated losses)		**2,071**	4,001	41,313	**(69,862)**	(69,017)	(68,205)
Equity attributable to owners of Company		**238,440**	240,370	277,682	**136,999**	137,844	138,656
Non-controlling interests		**5,464**	5,521	8,247	**-**	-	-
Total equity		**243,904**	245,891	285,929	**136,999**	137,844	138,656

The accompanying notes form part of these financial statements

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Financial year ended 31 December 2017

	Note	**Group**	
		2017	2016
		RMB'000	RMB'000
			(Restated)
			[Note 24(a)]
Revenue	12	**14,084**	13,814
Cost of sales		**(13,956)**	(13,039)
Gross profit		**128**	775
Other income	13	**5,627**	138
Distribution expenses		**(2,247)**	(10,397)
Administrative expenses		**(5,495)**	(45,853)
Loss before income tax	15	**(1,987)**	(55,337)
Income tax credit	16	**-**	15,299
Loss for the year, representing total comprehensive loss for the financial year		**(1,987)**	(40,038)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,930)**	(37,312)
Non-controlling interests		**(57)**	(2,726)
		(1,987)	(40,038)
Loss per share attributable to owners of the Company (cents per share)	17		
Basic		**(0.29)**	(5.59)
Diluted		**(0.29)**	(5.59)

The accompanying notes form part of these financial statements

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Financial year ended 31 December 2017

Group

	Share capital RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2016, as previously reported	205,838	29,508	1,023	33,583	269,952	8,247	278,199
Prior year adjustments [Note 24(a)]	-	-	-	7,730	7,730	-	7,730
As restated, 31 December 2016	205,838	29,508	1,023	41,313	277,682	8,247	285,929
Loss for the year, representing total comprehensive loss for the financial year	-	-	-	(37,312)	(37,312)	(2,726)	(40,038)
Balance at 31 December 2016	205,838	29,508	1,023	4,001	240,370	5,521	245,891
Balance at 31 December 2016, as previously reported	205,838	29,508	1,023	(3,729)	232,640	5,521	238,161
Prior year adjustments [Note 24(a)]	-	-	-	7,730	7,730	-	7,730
As restated, 31 December 2016	205,838	29,508	1,023	4,001	240,370	5,521	245,891
Loss for the year, representing total comprehensive loss for the financial year	-	-	-	(1,930)	(1,930)	(57)	(1,987)
Balance at 31 December 2017	205,838	29,508	1,023	2,071	238,440	5,464	243,904

The accompanying notes form part of these financial statements

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Financial year ended 31 December 2017

	Note	Group	
		2017	2016
		RMB'000	RMB'000
			(Restated)
			[Note 24(a)]
Cash flows from operating activities			
Loss before income tax		**(1,987)**	(55,337)
Adjustments for:			
Inventories written down		**-**	25,827
Allowance for impairment of trade receivables		**-**	7,193
Impairment on inventories written back		**(961)**	-
Impairment on property, plant and equipment written back		**(2,621)**	-
Impairment on trade receivables written back		**(1,964)**	-
Depreciation of property, plant and equipment		**3,952**	4,206
Loss on disposal of property, plant and equipment		**-**	90
Interest income		**(81)**	(138)
Operating loss before working capital changes		**(3,662)**	(18,159)
Changes in working capital:			
Inventories		**5,979**	(8,324)
Trade and other receivables		**3,711**	(650)
Other payables		**(75)**	(467)
Cash generated from/(used in) operations		**5,953**	(27,600)
Interest received		**81**	138
Net cash from/(used in) operating activities		**6,034**	(27,462)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**-**	1
Purchase of property, plant and equipment		**(596)**	-
Net cash (used in)/from investing activities		**(596)**	1
Net change in cash and cash equivalents		**5,438**	(27,461)
Cash and cash equivalents at beginning of the financial year		**26,316**	53,777
Cash and cash equivalents at end of the financial year	4	**31,754**	26,316

The accompanying notes form part of these financial statements

These notes form part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

The Company is incorporated and domiciled in the Republic of Singapore and its registered office is located at 60 Paya Lebar Road, #08-55 Paya Lebar Square Singapore 409051. The address of the principal place of business of the Group is No. 3 North Wolong Road, Yantai City Shan Dong Province, People's Republic of China ("PRC").

The Company also has a registered office in Malaysia. The registered office address is at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary are disclosed in Note 7 to the financial statements.

The financial statements for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 25 April 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies set out below.

The Group's principal operations are conducted in the People's Republic of China ("PRC") and hence the financial statements are presented in Chinese renminbi ("RMB"), being the functional and presentation currency of the Company and the Group respectively. All financial information is presented in RMB rounded to the nearest thousand ("RMB'000") unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where estimates and assumptions are significant or critical to the financial statements are disclosed in Note 3 to the financial statements.

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS ("IFRS") that are relevant to its operations and effective for annual period beginning on 1 January 2017. The adoption of these new/revised IFRSs and INT IFRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

(b) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are presented as "cash and cash equivalents" and "trade and other receivables (excluding VAT receivables)" on the statements of financial position.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities.

Other financial liabilities
Other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

(c) BASIS OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Consideration transferred also includes the fair value of any contingent consideration given.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquire is remeasured to fair value as at the acquisition date through profit or loss.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if the subsidiary incurred losses and the losses allocated exceed the non-controlling interest in the subsidiary’s equity.

Consolidation of the subsidiary in the PRC is based on the subsidiary's financial statements prepared in accordance with IFRS and IAS. Profits reflected in the financial statements prepared in accordance with IFRS and IAS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary are based on the amounts stated in the PRC statutory financial statements.

(ii) Subsidiaries
Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Investment in subsidiary is stated in the Company's statement of financial position at cost less accumulated impairment losses.

(iii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint venture is eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) PROPERTY, PLANT AND EQUIPMENT
All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is computed on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

	Years
Buildings	20
Renovations	5 to 10
Plant and machinery	5 to 10
Office equipment	5
Motor vehicles	5

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

(e) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group's non-financial assets are reviewed for impairment at the end of each reporting period and whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of the impairment loss (if any).

Recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. For the purpose of impairment testing, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognised in profit or loss.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset or CGU in prior years. A reversal of impairment loss is recognised in profit or loss.

(f) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials - purchase cost on a weighted average basis.

Finished goods and work-in-progress - cost of direct materials, direct labour and a proportion of production overheads based on normal operating capacity (excluding borrowing costs). These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(g) LEASES

Operating leases - where the Group is a lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are taken to profit or loss on a straight-line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(h) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the buyer.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

(i) EMPLOYEE BENEFITS

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

Pension Obligations
The Group participates in the defined contribution national pension and other welfare schemes as provided by the laws of the countries in which has operations.

Contributions to defined contribution plans are recognised in the same financial year as the employment that gives rise to the contributions.

Pursuant to the relevant regulations in the People’s Republic of China, a subsidiary of the Company in the People’s Republic of China participates in a local municipal government retirement benefits scheme (the “Scheme”), whereby the subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(j) INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and jointly control entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

Value added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statements of financial position.

(k) FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company and the Group are presented in RMB, which is also the functional currency of the Company.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss. Non-monetary items are not retranslated at the end of the reporting period and are measured at historical cost (translated using the exchange rates at transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

(l) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and bank balances that are convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) RELATED PARTIES

A related party is defined as follows:

(a) A person or a close member of that person’s family is related to the Group and Company if that person:

  (i) Has control or joint control over the Company;

  (ii) Has significant influence over the Company; or

  (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(o) SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(p) SEGMENT REPORTING

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgements apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Withholding taxes arising from PRC subsidiary's undistributed earnings

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on the undistributed earnings of the subsidiary, that are subject to withholding taxes according to the relevant tax jurisdiction, is subject to judgement on the timing of the dividend payment.

In 2017, the Group considered that it is not probable that the subsidiary will distribute such earnings in the foreseeable future due to its continuing operating losses and accumulated losses as at 31 December 2017.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment in accordance with the accounting policy in Note 2.

As disclosed in Note 8 to the financial statements, the Group conducted a review of the recoverable amount of its property, plant and equipment.

An independent valuer ("Valuer") was engaged by the Group to perform a valuation on property, plant and equipment. The Valuer adopted the replacement cost method to value these property, plant and equipment. The valuation which involves significant estimation, is based on the estimates of the gross replacement costs of the property, plant and equipment. The review has resulted in the recognition of a reversal of impairment loss of RMB2,621,000 in profit or loss.

Impairment of refundable deposit

The Group assesses whether there are any indicators of impairment for refundable deposit paid to purchase the land, buildings and ancillary facilities as described in Note 5 in accordance with the accounting policy in Note 2.

A Valuer was engaged by the Group to perform a valuation on the refundable deposit paid for the said land, buildings and ancillary facilities to determine their valuation. The Valuer adopted the income approach and replacement cost method to value the buildings and ancillary facilities respectively.

For land use rights, the Valuer had adopted the market comparison method. The values of land use rights are derived by analysing prices of similar land use rights transacted recently and making adjustments based on differences in land sizes and useful lives of these land use rights. No impairment is recognised due to the market values being higher than the carrying amounts of the land use rights.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

Management estimates the useful lives of property, plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the relevant industry. The carrying amount of the Group's property, plant and equipment is disclosed in Note 8 to the financial statements. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets. Hence, future depreciation charges could be revised.

(ii) Allowance for impairment of trade receivables

The Group's policy for allowance for impairment of trade receivables is based on assessment of collectability and ageing analysis of outstanding accounts and on management's estimates. A considerable amount of estimation is required in determining the ultimate realisation of these receivables, including the current financial status and past collection history of each customer. The carrying amount of trade receivables is disclosed in Note 5 to the financial statements.

(iii) Allowance for inventory obsolescence

Management reviews an aging analysis at the end of each reporting period and makes allowance for obsolete and slow-moving inventories that are no longer suitable for use in production. Management estimates the net realisable value based primarily on expected inventory turnover, inventory aging and current and future expectations with respect to product offerings. Assumptions underlying the allowance for inventory obsolescence include future sale trends and offerings and the expected inventory requirements and inventory composition necessary to support these future sale offerings.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 6 to the financial statements.

(iv) Impairment of investment in subsidiary

At the end of each financial year, an assessment is made on whether there is objective evidence that the investment in subsidiary is impaired. This assessment requires significant estimation and judgement. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook of the investment, including factors such as industry performance, changes in technology and operational and financing cash flows. The carrying amount of the Company's investment in subsidiary as at 31 December 2017 is disclosed in Note 7 to the financial statements.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	31,754	26,316	126	202

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	31,628	26,114	-	-
Hong Kong dollar	19	97	19	97
Singapore dollar	79	79	79	79
United States dollar	28	26	28	26
	31,754	26,316	126	202

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Trade receivables				
- third parties	20,533	22,816	-	-
- allowance for impairment [Note 22(b)]	(5,229)	(7,193)	-	-
	15,304	15,623	-	-
Other receivables				
- amount due from subsidiary (non-trade)	-	-	77,944	78,647
- refundable deposits*	118,813	118,813	13	13
- VAT receivables	-	1,428	-	-
	118,813	120,241	77,957	78,660
	134,117	135,864	77,957	78,660

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

Trade receivables are non-interest bearing and the average credit period is 30 - 150 days (2016 : 30 - 150 days) except for one key distributor. In respect of this key distributor, credit terms granted are not more than 365 days.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Allowance for impairment on trade receivables is determined based on management's assessment of collectability and by reference to past default experience.

Non-trade amount due from subsidiary is unsecured, interest-free and repayable in cash on demand.

**Refundable deposits*

Refundable deposits include a downpayment of RMB118,800,000 (2016 : RMB118,800,000) made to purchase various assets. On 17 December 2013, the Group entered into a Sale and Purchase Agreement ("SPA") with Huangwu Subdistrict Office, Zhifu District, Yantai City, PRC ("Local Government") to acquire all the land, buildings and ancillary facilities including 320KVA power distribution equipment, water supply system, roads surrounding the factory and enclosing wall (collectively the "Assets") located at No. 3 Wolong North Road, Yantai City which the Group has been leasing since 1997, for a total cash consideration of RMB132,000,000. The building has a gross floor area measuring approximately 12,600 square meters and the land has an area of 40 Mu (approximately 6.589 acres).

The salient terms of the acquisition as set out in the SPA are as follows:

- The transfer cost, transfer ownership fee and all the taxes and other fees, etc would be borne by the Local Government.
- The Group agreed to pay 60% of the total consideration within 5 days from the date of SPA ("First Payment") and at the same time, the Local Government agreed to cease all rental/lease charges to the Group. Subsequently, 30% of the total consideration ("Second Payment") is to be paid by 30 December 2013 whilst the remaining 10% to be settled on the completion of the transfer procedures.
- The Local Government was required to complete the transfer procedure within four months of the Second Payment.
- Any liabilities incurred before 31 December 2013 would be borne by the Local Government.
- The Local Government confirmed that the Assets are free from other encumbrances.

In 2013, the Group paid RMB118,800,000 to the Local Government which represented a downpayment of 90% of the total acquisition cost and was presented in the financial statements as deposits. The Second Payment was made on 27 December 2013 and as of the report date, the transfer procedures have not yet been completed.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

In relation to the acquisition of the Assets as described above, the directors are of the view that:

(i) The Assets are acquired for use as production facilities and office;
(ii) The transfer procedures will include a transfer of land use rights of up to 50 years from the date of acquisition and a further option for renewal upon expiry of 50 years of industrial and/or commercial land;
(iii) In the event that the transaction is not completed, the deposits of RMB118,800,000 will be refunded to the Group.

Impairment testing of refundable deposits

During the current financial year, the Group carried out a review of the recoverable amount of the refundable deposits paid for the purchase of the Assets as described above. The Group engaged an external independent valuer to perform a valuation on the Assets which consist of the land use rights, buildings and ancillary facilities. The valuation method used for the land use rights is market comparison method while the valuation methods used for the buildings and ancillary facilities are income approach and replacement cost method respectively. The fair values determined by the valuer are categorised within Level 3 of the fair value hierarchy.

Key assumptions used

Land use rights comparable price	RMB25,199,000 to RMB26,115,000
Buildings :	
- obsolescence rate	18% to 22%
Ancillary facilities :	
- obsolescence rate	70%

The key assumptions include consideration of the market value in Yantai City, Shandong Province within the region, economic or external obsolescence and physical deterioration on various assets.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Chinese renminbi	134,104	135,851	77,944	78,647
Malaysian ringgit	13	13	13	13
	134,117	135,864	77,957	78,660

6. INVENTORIES

	Group	
	2017	2016
	RMB'000	RMB'000
Statement of financial position		
Raw materials	397	266
Work-in-progress	86,736	92,828
Finished goods	14	32
	87,147	93,126
Allowance for inventory obsolescence	(48,823)	(49,784)
	38,324	43,342
Statement of profit or loss and other comprehensive income		
Inventories recognised as an expense in profit or loss	12,377	39,355
- inclusive of inventories written (back)/down	(961)	25,827

7. INVESTMENT IN SUBSIDIARY

	Company	
	2017	2016
	RMB'000	RMB'000
Unquoted equity shares, at cost	60,135	60,135

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation/ place of operation	Percentage of equity held		Principal activities
		2017	2016	
		%	%	
Yantai Fazenda Ouhua Winery Co. Ltd.*	People's Republic of China	95	95	Production of varieties of wine and sales of its self-produced wines

* Jointly audited by UHY Lee Seng Chan & Co and Zhong Xing Cai Guang Hua Certified Public Accountants (Special General Partnership) Shandong Branch for the purpose of expressing an opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2017.

8. PROPERTY, PLANT AND EQUIPMENT

Group
2017

	Buildings RMB'000	Renovations RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
Balance at beginning	38,912	13,200	55,093	644	3,261	111,110
Additions	-	-	-	-	596	596
Balance at end	38,912	13,200	55,093	644	3,857	111,706
Accumulated depreciation						
Balance at beginning	8,529	13,200	39,939	567	2,698	64,933
Charge for the financial year	1,751	-	1,969	3	229	3,952
Balance at end	10,280	13,200	41,908	570	2,927	68,885
Accumulated impairment						
Balance at beginning	-	-	3,214	-	-	3,214
Impairment loss written back	-	-	(2,621)	-	-	(2,621)
Balance at end	-	-	593	-	-	593
Carrying amount						
Balance at 31 December 2017	28,632	-	12,592	74	930	42,228

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

Group
2016

	Buildings RMB'000	Renovations RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
Balance at beginning	38,912	13,200	55,737	935	3,337	112,121
Disposals	-	-	(644)	(291)	(76)	(1,011)
Balance at end	38,912	13,200	55,093	644	3,261	111,110
Accumulated depreciation						
Balance at beginning	6,778	13,200	38,549	834	2,286	61,647
Charge for the financial year	1,751	-	1,969	4	482	4,206
Disposals	-	-	(579)	(271)	(70)	(920)
Balance at end	8,529	13,200	39,939	567	2,698	64,933
Accumulated impairment						
Balance at beginning and at end	-	-	3,214	-	-	3,214
Carrying amount						
Balance at 31 December 2016	30,383	-	11,940	77	563	42,963

Impairment testing of property, plant and equipment

During the current financial year, the Group engaged an independent valuer to perform a valuation of its property, plant and equipment. The review led to recognition of a reversal of impairment loss of RMB2,621,000 in profit or loss (Note 13). The recoverable amount of property, plant and equipment was based on fair values less costs of disposal. The valuation method used is that of the replacement cost approach. The fair value is within Level 3 of the fair value hierarchy.

Key assumptions used

Property, plant and equipment	
- obsolescence rate	50% to 60%

The key assumptions include consideration of technical obsolescence and physical deterioration of the property, plant and equipment.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

9. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Other payables				
- due to a director (non-trade)	801	733	801	733
- third parties	109	83	90	74
- VAT payables and other operating tax payables	380	402	-	-
- witholding tax	690	690	-	-
- accrued operating expenses	539	686	328	346
	2,519	2,594	1,219	1,153

Non-trade amount due to a director is unsecured, interest-free and repayable in cash on demand.

Other payables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Chinese renminbi	2,101	2,174	801	733
Singapore dollar	300	320	300	320
Malaysian ringgit	118	100	118	100
	2,519	2,594	1,219	1,153

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

10. SHARE CAPITAL

	Group/Company			
	2017	2016	2017	2016
	Number of ordinary shares		Amount	
			RMB'000	RMB'000
Issued and fully paid				
Balance at beginning and end	668,000,000	668,000,000	205,838	205,838

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restrictions.

11. OTHER RESERVES

(a) *Statutory reserve*

The Group follows the accounting principles and relevant financial regulations of the People’s Republic of China (“PRC”) in the preparation of the accounting records and statutory financial statements of the PRC subsidiary.

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund (“SRF”). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary’s registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

There is no appropriation made to the SRF in 2017 and 2016 as the subsidiary did not generate any statutory after tax profits in these two financial years.

(b) *Capital reserve*

The capital reserve relates to the purchase consideration payable for the acquisition of the PRC subsidiary which was waived by the major shareholder of the subsidiary.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

12. REVENUE

	Group	
	2017	2016
	RMB'000	RMB'000
Sale of goods	14,084	13,814

13. OTHER INCOME

	Group	
	2017	2016
	RMB'000	RMB'000
Interest income	81	138
Impairment loss written back on:		
- inventories (Note 6)	961	-
- property, plant and equipment (Note 8)	2,621	-
- trade receivables [Note 22(b)]	1,964	-
	5,627	138

14. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	RMB'000	RMB'000
Salaries, wages, bonuses and related costs (including directors' remuneration)	4,386	6,857
Employer's contribution to defined contribution plans	216	231
	4,602	7,088

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

15. LOSS BEFORE INCOME TAX

Loss before income tax is stated at after charging:

	Group	
	2017	2016
	RMB'000	RMB'000
Allowance for impairment of trade receivables [Note 22(b)]	-	7,193
Depreciation of property, plant and equipment (Note 8)	3,952	4,206
Distributor promotional and advertising expenses	1,835	9,582
Employee benefits expense (Note 14)	4,602	7,088
Inventories written down (Note 6)	-	25,827
Loss on disposal of property, plant and equipment	-	90
Rental of premises (Note 19)	794	794

16. INCOME TAX CREDIT

	Group	
	2017	2016
	RMB'000	RMB'000
Deferred tax credit		
- prior year	-	(15,299)

Reconciliation of effective tax rate

	2017	2016
Loss before income tax	(1,987)	(55,337)
Tax at domestic rates applicable to profits in countries which the Group operates	(497)	(13,769)
Tax effect of expenses which are not deductible in determination of taxable profit	1,199	1,132
Income not subject to tax	(1,386)	(1)
Deferred tax asset not recognised	-	12,499
Loss disregarded	684	139
Overprovision of deferred tax in prior year	-	(15,299)
	-	(15,299)

Pursuant to the New Corporate Income Tax Law effective 1 January 2008, companies in the People's Republic of China ("PRC") are subject to PRC Corporate Income Tax ("CIT") rate of 25%. According to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, the Company's subsidiary in the PRC is entitled to exemption from CIT for the first two years commencing from the first profit-making year after offsetting all tax losses carried forward, and a 50% reduction for the three years thereafter. Yantai Fazenda Ouhua Winery Co. Ltd. ("Yantai Fazenda Ouhua"), the PRC subsidiary of the Company, was in its fifth profit-making year for the financial year ended 31 December 2011 and had benefited from the 50% tax reduction.

17. LOSS PER SHARE

The basic and diluted earnings per share attributable to the owners of the Company is computed as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Loss attributable to owners of the Company (RMB'000)	(1,930)	(37,312)
Weighted average number of ordinary shares in issue ('000)	668,000	668,000
Loss per share		
- Basic (RMB cents)	(0.29)	(5.59)
- Diluted (RMB cents)	(0.29)	(5.59)

Diluted loss per share is the same as basic loss per share as the Company does not have potential dilutive shares for both the financial years.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

18. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

		Group	
		2017 RMB'000	2016 RMB'000
(a)	**With a related party**		
	Rental expenses (Note 15)	794	794
(b)	**Compensation of key management personnel**		
	Short-term benefits paid to		
	- directors		
	- salaries and related costs	621	496
	- employer's contributions to defined contribution plans	26	26
	- fees	217	203
		864	725
	- other key management personnel		
	- salaries and related costs	463	545
	- employer's contributions to defined contribution plans	13	13
		476	558

The remuneration of key management personnel is determined by the board of directors having regard to the performance of individuals and market trends.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

19. OPERATING LEASE COMMITMENTS

	Group	
	2017	2016
	RMB'000	RMB'000
Operating lease expense for the financial year (Note 15)	794	794

At the end of the reporting period, the Group has outstanding rental commitments under non-cancellable operating leases falling due as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Within one year	794	794
Later than one year but less than five years	3,294	3,255
More than five years	1,667	2,500
	5,755	6,549

The above operating leases do not contain any escalation clauses and do not provide for contingent rents.

20. CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Capital commitments in respect of contract for purchase of property, plant and equipment	13,200	13,200

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

21. SEGMENT INFORMATION

For management purposes, the Group is organised into two main business segments:

(a) White wine ("WW")
The White wine segment relates to the business producing white wine from Chardonnay, Riesling, Sauvignon Blanc and Pinot Blanc grape varietals, grown on Yantai Fazenda Ouhua's vineyards, grapes sourced from grape growers from areas neighbouring Yantai Fazenda Ouhua's vineyards, as well as wines purchased for production.

(b) Red wine ("RW")
The Red wine segment relates to the business producing red wine from Cabernet Sauvignon, Pinot Noir, Shiraz, Merlot grape varietals, grown on Yantai Fazenda Ouhua's vineyards, as well as wines purchased for production.

The segment information provided to management for the reportable segments is as follows:

	WW		**RW**		**Total**	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (external customers)	1,756	3,447	12,328	10,367	14,084	13,814
Segment results	(59)	184	187	591	128	775
Other income					5,627	138
Unallocated expenses					(7,742)	(56,250)
Loss before income tax					(1,987)	(55,337)
Income tax credit					-	15,299
Net loss for the financial year					(1,987)	(40,038)
Other segment information						
Depreciation of property, plant and equipment					3,952	4,206
Interest income					81	138

Property, plant and equipment of the Group are utilised interchangeably between the different segments and there is no reasonable basis to allocate other assets and liabilities of the Group between the different segments. Accordingly, segmental information on assets and liabilities of the Group are not disclosed.

Segment accounting policies are the same as the policies of the Group as described in Note 2.

(i) *Geographical information*
Segmented information by geographical region is not applicable for the financial years ended 31 December 2017 and 31 December 2016 as the business operations of the Group is only carried out in the PRC.

(ii) *Information about major customers*
Revenue from top four (2016 : four) major customers for the financial year ended 31 December 2017 amounted to RMB11,732,000 (2016 : RMB11,682,000) and accounted for 83% (2016 : 85%) of the Company's revenue from both its operating segments (i.e. White wine and Red wine).

22. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

Financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)
Financial assets				
Loan and receivables	165,871	160,752	78,083	78,862
Financial liabilities				
Financial liabilities at amortised cost	1,449	1,502	1,219	1,153

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

(b) Financial risk management

The main risks arising from the Group's normal course of business are credit, liquidity and market risk (including interest rate and foreign currency risks). The Group's overall risk management strategy seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The following sections provide details regarding the Group's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis.

The Group manages credit risk through vigilant follow up of receivables.

At the end of the reporting period, approximately 86% (2016 : 84%) of the Group's trade receivables were due from 4 major customers located in the PRC. In particular, 24% (2016 : 22%) of the Group's trade receivables was due from one key customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position. Cash is placed with banks that are regulated.

There is no other financial asset that is past due and/or impaired except for trade receivables.

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

The age analysis of trade receivables is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	10,659	11,300
Past due but not impaired		
1 - 30 days	1,334	1,267
31 - 60 days	1,070	606
61 - 150 days	1,351	381
More than 150 days	890	2,069
	15,304	15,623

Trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Gross amounts	5,229	7,193
Allowance for impairment	(5,229)	(7,193)
	-	-

Movement in allowance for impairment of trade receivables is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Balance at beginning	7,193	-
Allowance made (Note 15)	-	7,193
Written back (Note 13)	(1,964)	-
Balance at end	5,229	7,193

Interest rate risk
Interest rate risk is the risk that the fair value or cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group does not have any interest bearing liabilities as at 31 December 2017.

The Group does not use derivative financial instruments to hedge interest rate risks.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

All financial liabilities in 2017 and 2016 are repayable on demand or due within one year from the end of the reporting period.

Foreign currency risk
Foreign currency risk arises from changes in foreign exchange rates that may have an adverse effect on the Group in the current reporting period or in future years.

The Group's exposure to foreign currency risk relates mainly to financial assets and financial liabilities that are denominated in currencies other than the functional currency of each entity in the Group. The currencies giving rise to this risk are primarily with respect to Hong Kong dollar, Singapore dollar, Malaysian ringgit and United States dollar.

The carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	HKD RMB'000	SGD RMB'000	MYR RMB'000	USD RMB'000
Group/Company **2017**				
Cash and cash equivalents	19	79	-	28
Trade and other receivables	-	-	13	-
Other payables	-	(300)	(118)	-
	19	(221)	(105)	28

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

	HKD RMB'000	SGD RMB'000	MYR RMB'000	USD RMB'000
2016				
Cash and cash equivalents	97	79	-	26
Trade and other receivables	-	-	13	-
Other payables	-	(320)	(100)	-
	97	(241)	(87)	26

__Sensitivity analysis__
A 5% strengthening/weakening of foreign currencies against Chinese renminbi at the reporting date would increase/(decrease) loss before income tax by the amounts shown below. The analysis assumes that all other variables remain constant.

	Group/Company 2017 RMB'000	Group/Company 2016 RMB'000
Hong Kong dollar against Chinese renminbi		
- strengthened	1	5
- weakened	(1)	(5)
Singapore dollar against Chinese renminbi		
- strengthened	(11)	(12)
- weakened	11	12
Malaysian ringgit against Chinese renminbi		
- strengthened	(5)	(4)
- weakened	5	4
United States dollar against Chinese renminbi		
- strengthened	1	1
- weakened	(1)	(1)

(c) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an adequate and efficient capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or obtain additional borrowings.

No changes were made to the policies or processes of capital management since the previous financial year.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital. The Group and Company include trade and other payables less cash and cash equivalents within net debts. Capital represents equity attributable to the equity holders of the Company less the statutory reserve fund. The Group's and the Company's gearing ratios are shown below:

	Group		Company	
	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)
Other payables	2,519	2,594	1,219	1,153
Less: Cash and bank balances	(31,754)	(26,316)	(126)	(202)
Net (debts)/cash	(29,235)	(23,722)	1,093	951
Equity attributable to the equity holders of the Company	238,440	240,370	136,999	137,844
Less: Statutory reserve	(29,508)	(29,508)	-	-
Capital	208,932	210,862	136,999	137,844
Gearing ratio	(14%)	(11%)	N.M	N.M

The subsidiary of the Group in the PRC is required to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2017 and 2016.

(d) Fair values of financial instruments

Management has determined that the carrying amounts of financial assets and liabilities approximate their fair values because these instruments are short-term in nature or are repriced frequently.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

23. SUPPLEMENTARY INFORMATION

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December 2017 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Securities dated 25 March 2011 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)
Total retained earnings/ (accumulated losses) of the Company and its subsidiary				
- realised profit/(loss)	3,995	5,982	(69,862)	(69,017)
- unrealised profit/(loss)	-	-	-	-
	3,995	5,982	(69,862)	(69,017)
Less: Consolidation adjustments	(1,924)	(1,981)	-	-
	2,071	4,001	(69,862)	(69,017)

24. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION

(a) Prior year adjustments

Group
The prior year adjustments relate to an overprovision of withholding tax on dividend declared by the subsidiary in financial year 2011 which remains payable at the end of the reporting period. As a result, the Group has overstated its income tax expense by RMB7,730,000 for the financial year ended 31 December 2011. Accordingly, prior year adjustments were made to correct the errors in prior years' financial statements from the financial year ended 31 December 2011.

Company
The prior year adjustments relate to over recognition of dividend declared by the Company's subsidiary in financial year 2011. As a result, the Company has overstated its dividend income by RMB70,386,000 and overstated its income tax expense by RMB7,730,000 for the financial year ended 31 December 2011. Accordingly, prior year adjustments were made to correct the errors in prior years' financial statements from the financial year ended 31 December 2011.

The financial impact arising from the adjustments are as follows:

	2016 As previously reported RMB'000	Adjustments RMB'000	2016 As restated RMB'000
Group			
Statements of Financial Position			
Other payables	9,638	(7,044)	2,594
Other liabilities	686	(686)	-
Retained earnings	(3,729)	7,730	4,001
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Administrative expenses	(45,763)	(90)	(45,853)
Other expenses	(90)	90	-

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

	2016 As previously reported RMB'000	Adjustments RMB'000	2016 As restated RMB'000
Group			
Consolidated Statement of Cash Flows			
Trade and other payables	(494)	494	-
Other payables	-	467	467
Other liabilities	27	(27)	-

	2015 As previously reported RMB'000	Adjustments RMB'000	2015 As restated RMB'000
Statements of Financial Position			
Other payables	10,132	(7,071)	3,061
Other liabilities	659	(659)	-
Retained earnings	33,583	7,730	41,313

	2016 As previously reported RMB'000	Adjustments RMB'000	2016 As restated RMB'000
Company			
Statements of Financial Position			
Trade and other receivables	141,316	(62,656)	78,660
Accumulated losses	(6,361)	(62,656)	(69,017)

CHINA OUHUA WINERY HOLDINGS LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

	2015 As previously reported RMB'000	Adjustments RMB'000	2015 As restated RMB'000
Statements of Financial Position			
Trade and other receivables	141,952	(62,656)	79,296
Accumulated losses	(5,549)	(62,656)	(68,205)

(b) Comparative information

The consolidated financial statements for the financial year ended 31 December 2016 were audited by another independent auditor whose report dated 19 April 2017 expressed a qualified opinion on those financial statements. An extract of the basis for qualified opinion is as follows:

"Included in 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. 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 the "Assets") for a cash consideration of RMB 132,000,000. No independent professional valuation of the acquired Assets was made.

In the absence of an independent valuation, we were unable to ascertain whether the net recoverable amount of the Assets acquired will exceed the total purchase consideration. In addition, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves of the extent of recoverability of the deposits of RMB 118,800,000 in the event that the transaction is not completed. Consequently, we were unable to determine whether any adjustments to the carrying amount of deposits as at 31 December 2016 were necessary. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on current year's figures as at 31 December 2016."

During the financial year ended 31 December 2017, the Group had appointed an external independent valuer to carry out a review of the net recoverable amounts as at 31 December 2016 and 2017 of the Assets acquired. The net recoverable amounts for both financial years exceeded the total purchase consideration. However, the qualification regarding the 2016 financial statements in relation to the recoverability of the deposits still applies as the transfer procedures have not yet been completed at the date of this report.

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that have been issued but are not yet effective for annual period beginning on 1 January 2017 have not been applied in preparing these financial statements. Management expects that the adoption of these new standards, amendments and interpretations will have no material impact on the financial statements in the period of initial application except for IFRS 9, IFRS 15 and IFRS 16 described below:

IFRS 9 Financial Instruments

IFRS 9 includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The Group is currently assessing the impact of the new accounting standard and plans to adopt the standard when it becomes effective on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

When effective IFRS 15 will replace all existing revenue recognition requirements under IFRS.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the effective date.

IFRS 16 Leases

IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Under IFRS 16, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. When effective, IFRS 16 will supersede all current lease accounting guidance, including IAS 17 Leases.

The Group is currently assessing the impact of the new accounting standard and plans to adopt the standard when it becomes effective on 1 January 2019.