Dukang Distillers Holdings Limited
(Incorporated in Bermuda)

FULL YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1. (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Year ended		Increase/ (Decrease)
	30 Jun 2019 Unaudited RMB'000	30 Jun 2018 Audited RMB'000	%
Revenue	139,648	148,524	(6.0)
Cost of sales	(91,232)	(106,831)	(14.6)
Gross profit	48,416	41,693	16.1
Other income	5,932	734	708.2
Selling and distribution expenses	(44,346)	(31,080)	42.7
Administrative expenses	(70,879)	(65,221)	8.7
Other expenses	(858)	(35,201)	(97.6)
Impairment loss on interest in an associate	(819)	(67,340)	(98.8)
Impairment loss on property, plant and equipment	-	(54,757)	(100.0)
Impairment loss on intangible assets	(280)	(1,000)	(72.0)
Operating loss	(62,834)	(212,172)	(70.4)
Finance costs	(7,108)	(7,042)	0.9
Share of profit of an associate	770	786	(2.0)
Loss before income tax	(69,172)	(218,428)	(68.3)
Income tax expense	(181)	(3,606)	(95.0)
Loss for the year, attributable to owners of the parent	(69,353)	(222,034)	(68.8)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(1,407)	574	(345.1)
Total comprehensive income for the year, attributable to owners of the parent	(70,760)	(221,460)	(68.0)

Notes:

i. Loss before income tax is arrived at after crediting / (charging):

	Group		
	Year ended		Increase/
	30 Jun 2019 Unaudited RMB'000	30 Jun 2018 Audited RMB'000	(Decrease) %
Interest income	434	502	(13.5)
Interest expenses	(7,108)	(7,042)	0.9
Depreciation of property, plant and equipment	(25,951)	(26,176)	(0.9)
Amortisation of prepaid land lease payments	(3,975)	(3,975)	-
Temporary production suspension costs	-	(15,200)	(100.0)
Compensation to suppliers on purchases returns	-	(3,246)	(100.0)
Impairment loss on interest in an associate	(819)	(67,340)	(98.8)
Impairment loss on property, plant and equipment	-	(54,757)	(100.0)
Impairment loss on intangible assets	(280)	(1,000)	(72.0)
Loss on disposal of property, plant and equipment	-	(20)	(100.0)

1. (b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	Unaudited	Audited	Unaudited	Audited
	As at 30 Jun 2019	As at 30 Jun 2018	As at 30 Jun 2019	As at 30 Jun 2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	793,606	793,606
Interest in an associate	13,671	13,720	-	-
Property, plant and equipment	270,509	294,659	-	-
Prepaid land lease payments	132,589	136,564	-	-
Intangible assets	-	280	-	-
	416,769	445,223	793,606	793,606
Current assets				
Inventories	709,592	715,000	-	-
Amounts due from subsidiaries	-	-	11,486	18,000
Prepayments, deposits and other receivables	39,682	44,699	-	-
Cash and cash equivalents	156,501	175,039	10	13
	905,775	934,738	11,496	18,013
Current liabilities				
Trade payables	55,987	60,914	-	-
Amount due to an associate	7,170	5,106	-	-
Accrued liabilities and other payables	114,325	97,640	5,836	6,070
Bank loans, secured	115,000	115,000	-	-
Provision for income tax	466	660	-	-
	292,948	279,320	5,836	6,070
Net current assets	612,827	655,418	5,660	11,943
Total assets less current liabilities	1,029,596	1,100,641	799,266	805,549
Non-current liabilities				
Deferred tax liabilities	11,306	11,591	-	-
	11,306	11,591	-	-
Net assets	1,018,290	1,089,050	799,266	805,549
EQUITY				
Equity attributable to owners of the parent				
Share capital	279,499	279,499	279,499	279,499
Reserves	738,791	809,551	519,767	526,050
Total equity	1,018,290	1,089,050	799,266	805,549

1. (b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand:

As at 30 June 2019		As at 30 June 2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
115,000	-	115,000	-

Details of any collateral:

As at 30 June 2019, the Group's bank loans amounting to RMB115.0 million were secured by charges over the Group's existing land use rights, leasehold buildings and guaranteed by a director.

1. (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Year ended	
	30 Jun 2019 Unaudited RMB'000	30 Jun 2018 Audited RMB'000
Cash flows from operating activities		
Loss before income tax	(69,172)	(218,428)
Adjustments for:		
Bank interest income on financial assets stated at amortised cost	(434)	(502)
Interest expenses	7,108	7,042
Depreciation of property, plant and equipment	25,951	26,176
Amortisation of prepaid land lease payments	3,975	3,975
Loss on disposal of property, plant and equipment	-	20
Impairment loss on interest in an associate	819	67,340
Impairment loss on property, plant and equipment	-	54,757
Impairment loss on intangible assets	280	1,000
Compensation to suppliers on purchases returns	-	3,246
Share of profit of an associate	(770)	(786)
Operating loss before working capital changes	(32,243)	(56,160)
Decrease in inventories	5,408	55,177
Decrease in prepayments, deposits and other receivables	5,017	46,689
Decrease in trade payables	(4,927)	(63,621)
Increase in accrued liabilities and other payables	6,838	5,125
Increase in amount due to an associate	2,064	2,144
Cash used in operations	(17,843)	(10,646)
Income taxes paid	(660)	(4,452)
Net cash used in operating activities	(18,503)	(15,098)
Cash flows from investing activities		
Purchases of properties, plant and equipment	(1,801)	(1,278)
Proceeds from disposals of property, plant and equipment	-	5
Interest received	434	502
Net cash used in investing activities	(1,367)	(771)
Cash flows from financing activities		
Proceeds from bank loans	115,000	115,000
Repayments of bank loans	(115,000)	(113,000)
Interest paid	(7,108)	(7,042)
Advance from a director	8,458	5,922
Net cash generated from financing activities	1,350	880
Net decrease in cash and cash equivalents	(18,520)	(14,989)
Cash and cash equivalents at beginning of year	175,039	190,213
Effect of foreign exchange rate changes	(18)	(185)
Cash and cash equivalents at end of year	156,501	175,039

1. (d)(i) A statement (for the issuer and group) showing either (a) all changes in equity or (b) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance as at 1 July 2017	279,499	656,811	(150,101)	168,846	193	355,262	1,310,510
Loss for the year	-	-	-	-	-	(222,034)	(222,034)
Other comprehensive income							
Exchange gain on translation of foreign operations	-	-	-	-	574	-	574
Total comprehensive income for the year	-	-	-	-	574	(222,034)	(221,460)
Transfer to statutory reserves	-	-	-	721	-	(721)	-
Balance as at 30 June 2018 and 1 July 2018	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the year	-	-	-	-	-	(69,353)	(69,353)
Other comprehensive income							
Exchange loss on translation of statements of foreign operations	-	-	-	-	(1,407)	-	(1,407)
Total comprehensive income for the year	-	-	-	-	(1,407)	(69,353)	(70,760)
Balance as at 30 June 2019	279,499	656,811	(150,101)	169,567	(640)	63,154	1,018,290

Group	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance as at 1 July 2017	279,499	656,811	(150,101)	168,846	193	355,262	1,310,510
Loss for the year	-	-	-	-	-	(222,034)	(222,034)
Other comprehensive income							
Exchange gain on translation of foreign operations	-	-	-	-	574	-	574
Total comprehensive income for the year	-	-	-	-	574	(222,034)	(221,460)
Transfer to statutory reserves	-	-	-	721	-	(721)	-
Balance as at 30 June 2018 and 1 July 2018	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the year	-	-	-	-	-	(69,353)	(69,353)
Other comprehensive income							
Exchange loss on translation of statements of foreign operations	-	-	-	-	(1,407)	-	(1,407)
Total comprehensive income for the year	-	-	-	-	(1,407)	(69,353)	(70,760)
Balance as at 30 June 2019	279,499	656,811	(150,101)	169,567	(640)	63,154	1,018,290

1. (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital during the current financial period reported on. The Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2019.

1. (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	30 Jun 2019	30 Jun 2018
Total number of issued shares (excluding treasury shares)	79,828,927	79,828,927

1. (d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1. (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have any subsidiary that holds shares issued by the Company.

2. Whether the figures have been audited or reviewed in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except for the adoption of the applicable new/revised International Financial Reporting Standards ("IFRSs") which became effective for the financial period beginning on or after 1 July 2018, the Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 30 June 2018. The adoption of these revised IFRSs for the current reporting year ended 30 June 2019 did not result in material changes to the Group's results.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to Item 4 above.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	Year ended	
	30 Jun 2019 Unaudited RMB	30 Jun 2018 Audited RMB
Basic	(0.87)	(2.78)
Diluted	N/A	N/A

Basic loss per share for the year ended 30 June 2019 ("FY2019") was calculated based on the Group's loss for the year of approximately RMB69,353,000 (Year ended 30 June 2018 ("FY2018"): approximately RMB222,034,000) divided by the weighted average number of 79,828,927 ordinary shares of HK$4.0 each ("Shares") (FY2018: 79,828,927 Shares) in issue during FY2019.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

a) current financial period reported on; and

b) immediately preceding financial year.

	Group		Company	
	As at 30 Jun 2019 RMB	As at 30 Jun 2018 RMB	As at 30 Jun 2019 RMB	As at 30 Jun 2018 RMB
Net asset value per ordinary share	12.76	13.64	10.01	10.09
Number of ordinary shares	79,828,927	79,828,927	79,828,927	79,828,927

Net asset value per ordinary share of the Group as at 30 June 2019 was calculated based on the Group's net assets of approximately RMB1,018,290,000 as at 30 June 2019 (30 June 2018: approximately RMB1,089,050,000) divided by 79,828,927 Shares (30 June 2018: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 30 June 2019 was calculated based on the net assets of approximately RMB799,266,000 as at 30 June 2019 (30 June 2018: approximately RMB805,549,000) divided by 79,828,927 Shares (30 June 2018: 79,828,927 Shares).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following;

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal and cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.

Review of Group's Performance

FY2019 vs FY2018

Revenue

FY2019	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	FY2018	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	104.3	778	134.1	Premium series	96.5	734	131.5
Regular series	35.3	892	39.6	Regular series	52.0	2,185	23.8
Total	139.6	1,670	83.6	Total	148.5	2,919	50.9

Group revenue for FY2019 decreased by RMB8.9 million or 6.0% to RMB139.6 million, mainly due to customer attrition for the intensified liquor market competition in the Henan province during the year.

Gross profit and margin

The Group's gross profit increased by RMB6.7 million or 16.1% to RMB48.4 million.

Gross profit for premium series increased from RMB34.5 million to RMB40.4 million, and gross profit for regular series increased from RMB7.2 million to RMB8.0 million. Gross Profit Margin ("GPM") for premium series increased from 35.7% to 38.8% and GPM for regular series increased from 13.9% to 22.6%. Overall GPM for "Dukang" products increased from 28.1% to 34.7%. The increase in GPM was mainly due to the change in product mix between the two years.

Other income

Other income increased from RMB0.7 million to RMB5.9 million mainly due to government grants received during the year.

Selling and distribution expenses

Selling and distribution expenses increased by 42.7% or RMB13.3 million to RMB44.3 million, mainly due to an increase in TV and radio commercial broadcast on channels in Henan Province by RMB2.0 million and an increase in bus, rooftop and billboard advertising by RMB10.5 million for promotion by its sponsorship for two events, Worship Ceremony of the Yellow Emperor held in the town of Xinzheng in the jurisdiction of Zhengzhou city and Luoyang Peony Culture Festival.

Administrative expenses

Administrative expenses increased by RMB5.7 million to RMB70.9 million mainly due to:

- a donation of approximately RMB2.2 million in respect of a poverty reduction campaign organised by the Chinese government;
- an increase in labour costs of approximately RMB2.9 million, which was classified under other expenses during the suspension of production in FY2018; and
- an increase in advisory fee on environmental engineering of approximately RMB0.6 million for our two production plants.

Other expenses

Other expenses decreased by RMB34.3 million to RMB0.9 million. The balance in FY2019 represents provision of accrued interest for losses on litigations ("the litigations") as mentioned below.

The balance in FY2018 mainly include:

- Provision for compensation to suppliers amounting to RMB3.2 million;
- Fixed production overheads incurred during the suspension of production for 11 months due to severe air pollution amounting to RMB 15.2 million; and
- Provision for the litigations amounting to RMB16.8 million. As disclosed on page 80 of the Company's FY2017 annual report, the Group had a dispute with an independent third party (the "Plaintiff"), who is the assignee of alleged original creditor's right in respect of loans of RMB14.3 million, over certain borrowing arrangements entered into between Mr. Gao Feng, our ex-Chairman (the "defendant"). Legal action was taken by the Plaintiff against the defendant, the Group's subsidiary and former subsidiary in FY2016 for the claim of the borrowed

amount. In second half of FY2018, we received the civil judgement from the People's Court of Huiji District of Zhengzhou City which ruled against the Group's subsidiary and ordered both the subsidiary and the former subsidiary to repay the loan amount and accrued interest. Accordingly, provision for RMB16.3 million has been made. The Group had then filed an appeal to Zhengzhou Intermediate People's Court against the judgement and former subsidiary was ordered to be responsible solely for the repayment of the loan and accrued interest. However, the plaintiff filed an appeal to Henan High People's Court against the judgement and the legal case has no further conclusion yet.

Impairment losses

In view of the weak demand of the Group's products and the poor operating results during the current financial year, the management has performed a review on the recoverable amount of the non-current assets, including prepaid land lease payments, property, plant and equipment, intangible assets and interest in an associate. As the recoverable amount of some of the assets assessed by an independent and professionally qualified valuer were lower than its carrying value, impairment losses for a total of approximately RMB1.1 million on intangible assets and interest in an associate were recognised in FY2019, while RMB123.1 million on property, plant and equipment, intangibles asset and interest in an associate were recognised in FY2018.

Loss for the year

Taking into account of the above mentioned, the loss attributable to the owners of the Company amounted to RMB69.4 million for FY2019 (FY2018: loss of RMB222.0 million).

Review of Group's Financial Position as at 30 June 2019

Property, plant and equipment

Property, plant and equipment decreased by RMB24.2 million mainly due to the depreciation charges during the year.

Intangible assets

Intangible assets decreased by RMB0.3 million due to the impairment loss made as mentioned above.

Prepayments, deposits and other receivables

Prepayment, deposits and other receivables decreased by RMB5.0 million. Due to the weak demand of our products, large amount of purchased packaging materials and

alcohol remained unused. To maintain flexibility of different types of inventory items for future consumption, the Group managed to return these inventory items back to suppliers in 4QFY2017 and the remaining unused balance was classified as prepayment. The unused balance further reduced by RMB2.9 million was offset by the purchase of packaging materials during FY2019. In addition, the balance of value-added tax recoverable decreased by RMB2.1 million, mainly due to the significant decrease of purchases of grain alcohol and packaging materials during 4QFY2019 when compared to the same period of FY2018.

Trade payables

Trade payables decreased by RMB4.9 million mainly due to a lower amount of grain alcohol and packaging materials purchased in 4QFY2019 compared to 4QFY2018.

Amount due to an associate

Amount due to an associate increased by RMB2.1 million mainly due to the unpaid accruals of license fee payable to the associate during the year.

Accrued liabilities and other payables

Accrued liabilities increased by RMB16.7 million to RMB114.3 million mainly due to an increase in accruals of offshore professional fees paid on behalf by a director by RMB 8.5 million, and an increase in VAT and other tax payables by RMB6.2 million.

Statement of Cash Flows for the period ended 30 June 2019

RMB18.5 million used in operating activities for FY2019 was mainly the result of:

(1) an operating loss before changes in working capital of RMB32.2 million;
(2) a decrease in trade payables of RMB4.9 million; and
(3) income taxes paid of RMB0.7 million,

which was offset by:

(1) an increase in accrued liabilities and other payables of RMB6.8 million;
(2) a decrease in inventories of RMB5.4 million;
(3) a decrease in prepayments, deposits and other receivables of RMB5.0 million; and
(4) an increase in amount due to an associate of RMB2.1 million.

RMB1.4 million was used in investing activities during the year ended 30 June 2019 was mainly due to purchase of properties, plant and equipment amounting to RMB1.8 million, offset by RMB0.4 million of interest received during the year.

RMB1.4 million was generated from financing activities during the year ended 30 June 2019 mainly due to advance from a director of RMB8.5 million, offset by RMB7.1 million of interest paid during the year.

As a result of the above and taking into the effect of changes in exchange rate, cash and cash equivalents decreased by RMB18.5 million to RMB156.5 million, down from RMB175.0 million as at 30 June 2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The FY2019 results are in line with the information disclosed in paragraph 10 of the 3QFY2019 results announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The baijiu industry has become increasingly saturated with intensified market competition in Henan Province. Sales of the Group's baijiu products for the coming quarter will be lower as summer approaches.

In view of the Group's declining profitability and recent losses due to the challenging industry environment, the Board undertook a strategic review and has proposed to dispose the loss-making baijiu business and enter into the kiwifruit cultivation and processing industry (the "Proposed Transactions"). For more information on the Proposed Transactions, please refer to the Company's announcement dated 17 November 2018.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared as the Company is loss making.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for IPTs.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

17. A breakdown of sales

	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000
Revenue reported for the 1st half year	39,680	43,945
Net loss reported for the 1st half year	(41,356)	(40,675)
Revenue reported for the 2nd half year	99,968	104,579
Net loss reported for the 2nd half year	(27,997)	(181,359)

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are relatives of a Director or Chief Executive Officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD
DUKANG DISTILLERS HOLDINGS LIMITED

ZHOU TAO
CHAIRMAN
29 August 2019