Dukang Distillers Holdings Limited
(Incorporated in Bermuda)

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	Three months ended		Increase/ (Decrease)
	30 Sep 2019 Unaudited RMB'000	30 Sep 2018 Unaudited RMB'000	%
Revenue	24,668	19,725	25.1
Cost of sales	(14,435)	(14,022)	2.9
Gross profit	10,233	5,703	79.4
Other income	116	119	(2.5)
Selling and distribution expenses	(11,898)	(5,471)	117.5
Administrative expenses	(14,826)	(23,734)	(37.5)
Operating loss	(16,375)	(23,383)	(30.0)
Finance costs	(1,918)	(1,918)	-
Share of profit of an associate	75	60	25.0
Loss before income tax	(18,218)	(25,241)	(27.8)
Income tax credit	414	403	2.7
Loss for the period, attributable to the owners of the Company	(17,804)	(24,838)	(28.3)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange diffrences on translation of financial statements of foreign operations	(1,821)	(2,253)	(19.2)
Total comprehensive income for the period, attributable to the owners of the Company	(19,625)	(27,091)	(27.6)

Notes:

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

	Group		
	Three months ended		Increase/ (Decrease)
	30 Sep 2019 Unaudited RMB'000	30 Sep 2018 Unaudited RMB'000	%
Interest income	116	119	(2.5)
Interest expenses	(1,918)	(1,918)	-
Depreciation of property, plant and equipment	(6,488)	(6,780)	(4.3)
Amortisation of prepaid land lease payments	(994)	(994)	-

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 Sept 2019	As at 30 Jun 2019	As at 30 Sept 2019	As at 30 Jun 2019
	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	13,746	13,671	-	-
Property, plant and equipment	264,021	270,509	-	-
Prepaid land lease payments	131,595	132,589	-	-
	409,362	416,769	793,606	793,606
Current assets				
Inventories	715,343	709,592	-	-
Amounts due from subsidiaries	-	-	10,335	11,486
Prepayments, deposits and other receivables	37,774	39,682	-	-
Cash and cash equivalents	119,100	156,501	10	10
	872,217	905,775	10,345	11,496
Current liabilities				
Trade payables	38,810	55,987	-	-
Amount due to an associate	7,540	7,170	-	-
Accrued liabilities and other payables	110,272	114,325	5,430	5,836
Bank loans, secured	115,000	115,000	-	-
Provision for income tax	105	466	-	-
	271,727	292,948	5,430	5,836
Net current assets	600,490	612,827	4,915	5,660
Total assets less current liabilities	1,009,852	1,029,596	798,521	799,266
Non-current liabilities				
Deferred tax liabilities	11,187	11,306	-	-
	11,187	11,306	-	-
Net assets	998,665	1,018,290	798,521	799,266
EQUITY				
Equity attributable to owners of the parent				
Share capital	279,499	279,499	279,499	279,499
Reserves	719,166	738,791	519,022	519,767
Total equity	998,665	1,018,290	798,521	799,266

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

Details of any collateral:

As at 30 September 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	
	Three months ended	
	30 Sep 2019 Unaudited RMB'000	30 Sep 2018 Unaudited RMB'000
Cash flows from operating activities		
Loss before income tax	(18,218)	(25,241)
Adjustments for:		
Bank interest income	(116)	(119)
Interest expenses	1,918	1,918
Depreciation of property, plant and equipment	6,488	6,780
Amortisation of prepaid land lease payments	994	994
Share of profit of an associate	(75)	(60)
Operating loss before working capital changes	(9,009)	(15,728)
(Increase)/decrease in inventories	(5,751)	19,831
Decrease in prepayments, deposits and other receivables	1,908	977
Decrease in trade payables	(17,177)	(36,615)
(Decrease)/increase in accrued liabilities and other payables	(6,593)	2,257
Increase in amount due to an associate	370	290
Cash used in operations	(36,252)	(28,988)
Income taxes paid	(66)	(259)
Net cash used in operating activities	(36,318)	(29,247)
Cash flows from investing activities		
Interest received	116	119
Net cash generated from investing activities	116	119
Cash flows from financing activities		
Interest paid	(1,918)	(1,918)
Advance from a director	2,540	1,897
Net cash generated from/(used in) financing activities	622	(21)
Net decrease in cash and cash equivalents	(35,580)	(29,149)
Cash and cash equivalents at beginning of period	156,501	175,039
Effect of foreign exchange rate changes	(1,821)	(2,253)
Cash and cash equivalents at end of period	119,100	143,637
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	119,100	143,637

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 2018	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the period	-	-	-	-	-	(24,838)	(24,838)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(2,253)	-	(2,253)
Total comprehensive income for the period	-	-	-	-	(2,253)	(24,838)	(27,091)
Balance as at 30 September 2018	279,499	656,811	(150,101)	169,567	(1,486)	107,669	1,061,959
Balance as at 1 July 2019	279,499	656,811	(150,101)	169,567	(640)	63,154	1,018,290
Loss for the period	-	-	-	-	-	(17,804)	(17,804)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(1,821)	-	(1,821)
Total comprehensive income for the period	-	-	-	-	(1,821)	(17,804)	(19,625)
Balance as at 30 September 2019	279,499	656,811	(150,101)	169,567	(2,461)	45,350	998,665

COMPANY	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 July 2018	279,499	656,811	120,523	(25,507)	(225,777)	805,549
Loss for the period	-	-	-	-	(1,884)	(1,884)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	32,428	-	32,428
Total comprehensive income for the period	-	-	-	32,428	(1,884)	30,544
Balance as at 30 September 2018	279,499	656,811	120,523	6,921	(227,661)	836,093
Balance as at 1 July 2019	279,499	656,811	120,523	(25,081)	(232,486)	799,266
Loss for the period	-	-	-	-	(936)	(936)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	191	-	191
Total comprehensive income for the period	-	-	-	191	(936)	(745)
Balance as at 30 September 2019	279,499	656,811	120,523	(24,890)	(233,422)	798,521

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 September 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 Sep 2019	30 Sept 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 2019, 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 2019. The adoption of these revised IFRSs for the current reporting period ended 30 September 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	
	Three months ended	
	30 Sep 2019 Unaudited RMB	30 Sep 2018 Unaudited RMB
Basic	(0.22)	(0.31)
Diluted	N/A	N/A

Basic loss per share for the period ended 30 September 2019 ("1QFY2020") was calculated based on the Group's loss for the period of approximately RMB17,804,000 (Period ended 30 September 2018 ("1QFY2019"): approximately RMB24,838,000) divided by the weighted average number of 79,828,927 ordinary shares of HK$4.0 each ("Shares") (1QFY2019: 79,828,927 Shares) in issue during 1QFY2020.

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 Sep 2019 RMB	As at 30 Jun 2019 RMB	As at 30 Sep 2019 RMB	As at 30 Jun 2018 RMB
Net asset value per ordinary share	12.51	12.76	10.00	10.01
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 September 2019 was calculated based on the Group's net assets of approximately RMB998,665,000 as at 30 September 2019 (30 June 2019: approximately RMB1,018,290,000) divided by 79,828,927 Shares (30 June 2019: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 30 September 2019 was calculated based on the net assets of approximately RMB798,521,000 as at 30 September 2019 (30 June 2019: approximately RMB799,266,000) divided by 79,828,927 Shares (30 June 2019: 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

1QFY2020 vs 1QFY2019

Revenue

1Q FY2020	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	1Q FY2019	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	17.9	113	158.4	Premium series	17.8	134	132.8
Regular series	6.8	150	45.3	Regular series	1.9	80	23.8
Total	24.7	263	93.9	Total	19.7	214	92.1

Group revenue for 1QFY2020 increased by RMB4.9 million or 25.1% to RMB24.7 million, mainly due to the effectiveness of its sponsorship in the marketing events during the past 2 quarters.

Gross profit and margin

The Group's gross profit increased by RMB4.5 million or 79.4% to RMB10.2 million.

Gross profit for premium series increased from RMB5.5 million to RMB8.2 million, and gross profit for regular series increased from RMB0.2 million to RMB2.0 million. Gross Profit Margin ("GPM") for premium series increased from 31.0% to 45.9% and GPM for regular series increased from 9.2% to 29.8%. Overall GPM increased from 28.9% to 41.5%. The increase in GPM was mainly due to the cessation of the sales promotion in the form of giving finished goods to distributors who placed orders, and also change in product mix between the two periods.

Selling and distribution expenses

Selling and distribution expenses increased by 117.5% or RMB6.4 million to RMB11.9 million, mainly due to an increase in TV and radio commercial broadcast on channels in Henan Province by RMB0.4 million and an increase in bus, rooftop and billboard advertising by RMB5.5 million due to its sponsorship for a major marketing event in October 2019.

Administrative expenses

Administrative expenses decreased by RMB8.9 million to RMB14.8 million as a result of the Group's cost-saving efforts during this challenging time.

Share of profit of an associate

Share of profit of an associate increased as a result of an increase in license fee income of the Group's associate arising from an increase in sale of the products under the "Dukang" brand.

Loss for the period

Taking into account of the above mentioned, the loss attributable to the owners of the Company amounted to RMB17.8 million for 1QFY2020 (1QFY2019: loss of RMB24.8 million).

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

Property, plant and equipment

Property, plant and equipment decreased by RMB6.5 million, mainly due to the depreciation charges during the period.

Trade payables

Trade payables decreased by RMB17.2 million, mainly due to a significant lower amount of grain alcohol and packaging materials purchased in 1QFY2020 compared to 4QFY2019.

Amount due to an associate

Amount due to an associate increased by RMB0.4 million, mainly due to the unpaid accruals of license fee payable to the associate during the period.

Statement of Cash Flows for the period ended 30 September 2019

RMB36.3 million used in operating activities for 1QFY2020 was mainly the result of:

(1) an operating loss before changes in working capital of RMB9.0 million;
(2) a decrease in trade payables of RMB17.2 million;
(3) a decrease in accrued liabilities and other payables of RMB6.6 million;
(4) an increase in inventories of RMB5.8 million; and
(5) income taxes paid of RMB0.1 million,

which was offset by:

(1) a decrease in prepayments, deposits and other receivables of RMB1.9 million; and
(2) an increase in amount due to an associate of RMB0.4 million.

RMB0.1 million was generated from investing activities during the period ended 30 September 2019 due to interest received during the period.

RMB0.6 million was generated from financing activities during the period ended 30 September 2019 mainly due to an advance of RMB2.5 million from a director, offset by RMB1.9 million of interest paid during the period.

As a result of the above and taking into the effect of changes in exchange rate, cash and cash equivalents decreased by RMB37.4 million to RMB119.1 million, down from RMB156.5 million as at 30 June 2019.

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

The 1QFY2020 results are in line with the information disclosed in paragraph 10 of the FY2019 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 Group continues to face challenges from multiple fronts. It has experienced declining profitability and reduced demand for its baijiu products in recent years due to the profound and lingering impact of the austerity measures and restrictions in the People's Republic of China ("PRC"). The situation was further aggravated by

geopolitical events, such as the trade tensions, which have infused greater uncertainty to the global economy and impacted consumer sentiment in the PRC. Chinese consumer spending is likely to slow for the rest of the year which will negatively impact sales of discretionary consumer goods like baijiu.

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

Not applicable.

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.

BY ORDER OF THE BOARD
DUKANG DISTILLERS HOLDINGS LIMITED

ZHOU TAO
CHAIRMAN
13 November 2019

CONFIRMATION BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL OF SGX-ST

On behalf of the Board of Directors, we, Zhou Tao and Huo Lei, confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Dukang Distillers Holdings Limited, which may render the financial statements for the first quarter ended 30 September 2019 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors of
Dukang Distillers Holdings Limited

Zhou Tao	**Huo Lei**
Director	**Director**

13 November 2019