

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017

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) % | Half year ended | | Increase/ (Decrease) % |
|---|-------------------------------------|-------------------------------------|------------------------------|-------------------------------------|-------------------------------------|------------------------------|
| | 31 Dec 2017 Unaudited RMB'000 | 31 Dec 2016 Unaudited RMB'000 | | 31 Dec 2017 Unaudited RMB'000 | 31 Dec 2016 Unaudited RMB'000 | |
| Revenue | 23,852 | 190,267 | (87.5) | 43,945 | 360,735 | (87.8) |
| Cost of sales | (13,254) | (130,470) | (89.8) | (29,945) | (247,569) | (87.9) |
| Gross profit | 10,598 | 59,797 | (82.3) | 14,000 | 113,166 | (87.6) |
| Other income | 115 | 598 | (80.8) | 248 | 1,191 | (79.2) |
| Selling and distribution expenses | (5,774) | (42,193) | (86.3) | (12,621) | (72,088) | (82.5) |
| Administrative expenses | (18,285) | (22,592) | (19.1) | (39,280) | (45,562) | (13.8) |
| Operating loss | (13,346) | (4,390) | 204.0 | (37,653) | (3,293) | 1,043.4 |
| Finance costs | (1,801) | (937) | 92.2 | (3,687) | (3,107) | 18.7 |
| Share of profit of an associate | 156 | 1,246 | (87.5) | 218 | 1,774 | (87.7) |
| Loss before income tax | (14,991) | (4,081) | 267.3 | (41,122) | (4,626) | 788.9 |
| Income tax credit/(expense) | 90 | (1,230) | (107.3) | 447 | (4,306) | (110.4) |
| Loss for the period, attributable to the owners of the Company | (14,901) | (5,311) | 180.6 | (40,675) | (8,932) | 355.4 |
| Other comprehensive income for the period | | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange gain/(loss) on translation of financial statements of foreign operations | 1,360 | (211) | (744.5) | 1,936 | 15 | 12,806.7 |
| Total comprehensive income for the period, attributable to the owners of the Company | (13,541) | (5,522) | 145.2 | (38,739) | (8,917) | 334.4 |

Notes:

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

| | Group | | Increase/ (Decrease) % | Group | | Increase/ (Decrease) % |
|---|---|-------------------------------------|------------------------------|--|-------------------------------------|------------------------------|
| | Three months ended 31 Dec 2017 Unaudited RMB'000 | 31 Dec 2016 Unaudited RMB'000 | | Half year ended 31 Dec 2017 Unaudited RMB'000 | 31 Dec 2016 Unaudited RMB'000 | |
| Interest income | 115 | 388 | (70.4) | 248 | 857 | (71.1) |
| Interest expenses | (1,801) | (937) | 92.2 | (3,687) | (3,107) | 18.7 |
| Depreciation of property, plant and equipment | (6,572) | (5,610) | 17.1 | (13,144) | (11,030) | 19.2 |
| Amortisation of prepaid land lease payments | (754) | (710) | 6.2 | (1,508) | (1,413) | 6.7 |

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 As at 31 Dec 2017 RMB'000 | Audited As at 30 Jun 2017 RMB'000 | Unaudited As at 31 Dec 2017 RMB'000 | Audited As at 30 Jun 2017 RMB'000 |
| ASSETS AND LIABILITIES | | | | |
| Non-current assets | | | | |
| Interests in subsidiaries | - | - | 292,518 | 292,518 |
| Interest in an associate | 80,492 | 80,274 | - | - |
| Property, plant and equipment | 361,195 | 374,339 | - | - |
| Prepaid land lease payments | 139,031 | 140,539 | - | - |
| Intangible assets | 1,280 | 1,280 | - | - |
| | 581,998 | 596,432 | 292,518 | 292,518 |
| Current assets | | | | |
| Inventories | 761,255 | 770,177 | - | - |
| Amounts due from subsidiaries | - | - | 520,943 | 548,094 |
| Prepayments, deposits and other receivables | 86,930 | 91,388 | - | - |
| Cash and cash equivalents | 43,522 | 190,213 | 15 | 16 |
| | 891,707 | 1,051,778 | 520,958 | 548,110 |
| Current liabilities | | | | |
| Trade payables | 101,583 | 124,535 | - | - |
| Amount due to an associate | 4,461 | 2,962 | - | - |
| Accrued liabilities and other payables | 84,669 | 84,106 | 5,462 | 5,241 |
| Bank and other loans, secured | - | 113,000 | - | - |
| Provision for income tax | 59 | 1,221 | - | - |
| | 190,772 | 325,824 | 5,462 | 5,241 |
| Net current assets | 700,935 | 725,954 | 515,496 | 542,869 |
| Total assets less current liabilities | 1,282,933 | 1,322,386 | 808,014 | 835,387 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 11,162 | 11,876 | - | - |
| | 11,162 | 11,876 | - | - |
| Net assets | 1,271,771 | 1,310,510 | 808,014 | 835,387 |
| EQUITY | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | 279,499 | 279,499 | 279,499 | 279,499 |
| Reserves | 992,272 | 1,031,011 | 528,515 | 555,888 |
| Total equity | 1,271,771 | 1,310,510 | 808,014 | 835,387 |

1. (b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand:**

| | |
|------------------------|--------------------|
| As at 31 December 2017 | As at 30 June 2017 |
|------------------------|--------------------|

| | | | |
|---------|-----------|---------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| - | - | 113,000 | - |

Amount repayable after one year:

| | |
|------------------------|--------------------|
| As at 31 December 2017 | As at 30 June 2017 |
|------------------------|--------------------|

| | | | |
|---------|-----------|---------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| - | - | - | - |

Details of any collateral:

Not applicable.

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 | | Group | |
|--|--------------------|------------------|------------------|------------------|
| | Three months ended | | Half year ended | |
| | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | | |
| Loss before income tax | (14,991) | (4,081) | (41,122) | (4,626) |
| Adjustments for: | | | | |
| Interest income on financial assets stated at amortised cost | (115) | (388) | (248) | (857) |
| Interest expenses | 1,801 | 937 | 3,687 | 3,107 |
| Depreciation | 6,572 | 5,610 | 13,144 | 11,030 |
| Amortisation of prepaid land lease payments | 754 | 710 | 1,508 | 1,413 |
| Share of profit of an associate | (156) | (1,246) | (218) | (1,774) |
| Operating (loss)/profit before working capital changes | (6,135) | 1,542 | (23,249) | 8,293 |
| Decrease/(Increase) in inventories | 1,026 | (137,086) | 8,922 | (115,887) |
| (Increase)/decrease in prepayments, deposits and other receivables | (88) | (430) | 4,458 | 390 |
| Increase/(decrease) in trade payables | 2,937 | 164,961 | (22,952) | 95,909 |
| Increase/(decrease) in accrued liabilities and other payables | 4,197 | (104,889) | 563 | (95,145) |
| Increase/(decrease) in amount due to an associate | 177 | (22,441) | 1,499 | (23,591) |
| Cash generated from/(used in) from operations | 2,114 | (98,343) | (30,759) | (130,031) |
| Income taxes paid | (313) | (3,150) | (1,429) | (6,197) |
| Net cash generated from/(used in) operating activities | 1,801 | (101,493) | (32,188) | (136,228) |
| Cash flows from investing activities | | | | |
| Dividend from an associate | - | 14,700 | - | 14,700 |
| Interest received | 115 | 388 | 248 | 857 |
| Net cash generated from investing activities | 115 | 15,088 | 248 | 15,557 |
| Cash flows from financing activities | | | | |
| Proceeds from bank loans | - | 113,000 | - | 113,000 |
| Repayment of bank loans | (113,000) | (135,000) | (113,000) | (135,000) |
| Interest paid | (1,801) | (937) | (3,687) | (3,107) |
| Net cash used in financing activities | (114,801) | (22,937) | (116,687) | (25,107) |
| Net decrease in cash and cash equivalents | (112,885) | (109,342) | (148,627) | (145,778) |
| Cash and cash equivalents at beginning of period | 155,047 | 559,417 | 190,213 | 595,627 |
| Effect of foreign exchange rate changes | 1,360 | (211) | 1,936 | 15 |
| Cash and cash equivalents at end of period | 43,522 | 449,864 | 43,522 | 449,864 |
| Analysis of balances of cash and cash equivalents | | | | |
| Cash at banks and in hand | 43,522 | 449,864 | 43,522 | 449,864 |

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 October 2016 | 279,499 | 656,811 | (150,101) | 162,848 | 1,755 | 470,080 | 1,420,892 |
| Loss for the period | - | - | - | - | - | (5,311) | (5,311) |
| Other comprehensive income | | | | | | | |
| Exchange loss on translation of financial statements of foreign operations | - | - | - | - | (211) | - | (211) |
| Total comprehensive income for the period | - | - | - | - | (211) | (5,311) | (5,522) |
| Balance as at 31 December 2016 | 279,499 | 656,811 | (150,101) | 162,848 | 1,544 | 464,769 | 1,415,370 |
| Balance as at 1 July 2016 | 279,499 | 656,811 | (150,101) | 162,848 | 1,529 | 473,701 | 1,424,287 |
| Loss for the period | - | - | - | - | - | (8,932) | (8,932) |
| Other comprehensive income | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | - | - | - | - | 15 | - | 15 |
| Total comprehensive income for the period | - | - | - | - | 15 | (8,932) | (8,917) |
| Balance as at 31 December 2016 | 279,499 | 656,811 | (150,101) | 162,848 | 1,544 | 464,769 | 1,415,370 |
| Balance as at 1 October 2017 | 279,499 | 656,811 | (150,101) | 168,846 | 769 | 329,488 | 1,285,312 |
| Loss for the period | - | - | - | - | - | (14,901) | (14,901) |
| Other comprehensive income | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | - | - | - | - | 1,360 | - | 1,360 |
| Total comprehensive income for the period | - | - | - | - | 1,360 | (14,901) | (13,541) |
| Balance as at 31 December 2017 | 279,499 | 656,811 | (150,101) | 168,846 | 2,129 | 314,587 | 1,271,771 |
| Balance as at 1 July 2017 | 279,499 | 656,811 | (150,101) | 168,846 | 193 | 355,262 | 1,310,510 |
| Loss for the period | - | - | - | - | - | (40,675) | (40,675) |
| Other comprehensive income | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | - | - | - | - | 1,936 | - | 1,936 |
| Total comprehensive income for the period | - | - | - | - | 1,936 | (40,675) | (38,739) |
| Balance as at 31 December 2017 | 279,499 | 656,811 | (150,101) | 168,846 | 2,129 | 314,587 | 1,271,771 |

| 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 as at 1 October 2016 | 279,499 | 656,811 | 120,523 | (11,283) | (214,396) | 831,154 |
| Loss for the period | - | - | - | - | (2,059) | (2,059) |
| Other comprehensive income | | | | | | |
| Exchange gain on translation of financial statements | - | - | - | 22,172 | - | 22,172 |
| Total comprehensive income for the period | - | - | - | 22,172 | (2,059) | 20,113 |
| Balance as at 31 December 2016 | 279,499 | 656,811 | 120,523 | 10,889 | (216,455) | 851,267 |
| Balance as at 1 July 2016 | 279,499 | 656,811 | 120,523 | (13,181) | (212,566) | 831,086 |
| Loss for the period | - | - | - | - | (3,889) | (3,889) |
| Other comprehensive income | | | | | | |
| Exchange gain on translation of financial statements | - | - | - | 24,070 | - | 24,070 |
| Total comprehensive income for the period | - | - | - | 24,070 | (3,889) | 20,181 |
| Balance as at 31 December 2016 | 279,499 | 656,811 | 120,523 | 10,889 | (216,455) | 851,267 |
| Balance as at 1 October 2017 | 279,499 | 656,811 | 120,523 | (12,336) | (221,883) | 822,614 |
| Loss for the period | - | - | - | - | (2,801) | (2,801) |
| Other comprehensive income | | | | | | |
| Exchange loss on translation of financial statements | - | - | - | (11,799) | - | (11,799) |
| Total comprehensive income for the period | - | - | - | (11,799) | (2,801) | (14,600) |
| Balance as at 31 December 2017 | 279,499 | 656,811 | 120,523 | (24,135) | (224,684) | 808,014 |
| Balance as at 1 July 2017 | 279,499 | 656,811 | 120,523 | (1,533) | (219,913) | 835,387 |
| Loss for the period | - | - | - | - | (4,771) | (4,771) |
| Other comprehensive income | | | | | | |
| Exchange loss on translation of financial statements | - | - | - | (22,602) | - | (22,602) |
| Total comprehensive income for the period | - | - | - | (22,602) | (4,771) | (27,373) |
| Balance as at 31 December 2017 | 279,499 | 656,811 | 120,523 | (24,135) | (224,684) | 808,014 |

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 and there were no shares held as treasury shares as at 31 December 2017.

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 | |
|--|-------------|-------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| 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 2017, 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 2017 (“FY2017”). The adoption of these revised IFRSs for the current reporting period ended 31 December 2017 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 | |
| | 31 Dec 2017 | 31 Dec 2016 |
| | Unaudited | Unaudited |
| | RMB | RMB |
| Basic | (0.19) | (0.07) |
| Diluted | N/A | N/A |

Basic loss per share for the period ended 31 December 2017 (“2QFY2018”) was calculated based on the Group’s loss for the period of approximately RMB 14,901,000 (Period ended 31 December 2016 (“2QFY2017”): loss for approximately RMB 5,311,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each (“Shares”) (2QFY2017: 79,828,927 Shares) in issue during 2QFY2018.

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 31 Dec 2017 RMB | As at 30 Jun 2017 RMB | As at 31 Dec 2017 RMB | As at 30 Jun 2017 RMB |
| Net asset value per ordinary share | 15.93 | 16.42 | 10.12 | 10.46 |
| 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 31 December 2017 was calculated based on the Group's net assets of approximately RMB 1,271,771,000 as at 31 December 2017 (30 June 2017: approximately RMB 1,310,510,000) divided by 79,828,927 Shares (30 June 2017: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 31 December 2017 was calculated based on the net assets of approximately RMB 808,014,000 as at 31 December 2017 (30 June 2017: approximately RMB 835,387,000) divided by 79,828,927 Shares (30 June 2017: 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**2QFY2018 VS 2QFY2017****Revenue**Luoyang Dukang

| <u>2Q FY2018</u> | Revenue RMB'million | Volume Tonnes | Average selling price RMB/Kg | <u>2Q FY2017</u> | Revenue RMB'million | Volume Tonnes | Average selling price RMB/Kg |
|------------------|------------------------|------------------|------------------------------------|------------------|------------------------|------------------|------------------------------------|
| Premium series | 16.5 | 112 | 147.3 | Premium series | 21.3 | 147 | 144.9 |
| Regular series | 7.4 | 152 | 48.7 | Regular series | 169.0 | 5,488 | 30.8 |
| Total | 23.9 | 264 | 90.5 | Total | 190.3 | 5,635 | 33.8 |

Group revenue for 2QFY2018 decreased significantly by RMB 166.4 million or 87.5% to RMB 23.9 million, which was mainly due to:

- (i) As announced on 23 November 2017, to step up enforcement of environmental laws and regulations, Ruyang Environmental Protection Bureau had issued targeted orders to various industries, including the Group, to restrict production and cut emissions of industrial pollutants in accordance with the requirements of government departments. Accordingly, the Group's operations in respect of the production of finished goods were significantly affected for 2QFY2018;
- (ii) As the severe pollution and smog which caused a significant decline in the purchase of baijiu products by the distributors in FY2017; the Group launched a sales promotion in the form of giving Dukang baijiu products from the Group existing inventory to distributors in FY2017 and 1QFY2018 in order to retain market share. Due to this sales promotion, there was a decline in sales as distributors were unable to digest the increase in inventory in 2QFY2018;
- (iii) Intensified liquor market competition in the Henan province, due to the entry of new products into the Henan market and the downward adjustment of first-tier high-end liquor prices further decreased the Group's market share in Zhengzhou city and Luoyang city of Henan Province, the People's Republic of China.
- (iv) There was a negative impact on the baijiu market due to a change in consumers' drinking trend and habits to red wine and beer and a large influx of imported beers and red wine in the domestic market.

Gross profit and margin

The Group's gross profit decreased significantly by RMB 49.2 million or 82.3% to RMB 10.6 million, which was in line with the drop in revenue.

Gross profit for premium series decreased from RMB 11.4 million to 9.1 million, while gross profit for regular series decreased from RMB 48.4 million to RMB 1.5 million. GPM for premium series increased from 53.5% to 54.9% and GPM for regular series decreased from 28.6% to 21.0%. Overall gross profit margin for 「Dukang」 products increased from 31.4% to 44.4%. The increase in gross profit margin was mainly due to the change in product mix during 2QFY2018.

Other income

Other income decreased from RMB 0.6 million to RMB 0.1 million mainly due to a decrease in interest income during the period.

Selling and distribution expenses

Selling and distribution expenses decreased by 86.3% or RMB 36.4 million to RMB 5.8 million, mainly due to a decrease in TV and radio commercial broadcast on channels in Henan Province by RMB 28.0 million, and a decrease in bus and rooftop advertising in major Henan Province cities by RMB 8.2 million.

Administrative expenses

Administrative expenses decreased by RMB 4.3 million to RMB 18.3 million as a result of the Group's cost-saving efforts during this challenging time.

Finance costs

Finance costs increased by RMB 0.9 million mainly due to an increase in the average balance of bank loans during the period compared to 2QFY2017.

Share of profit of an associate

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

Income tax credit/(expense)

The income tax credit for 2QFY2018 mainly represents the effect of reversal of deferred tax liabilities amounting to RMB 0.4 million, offset by the provision for PRC enterprise income tax amounting to RMB 0.3 million. The provision for PRC enterprise income tax is calculated based on the statutory income tax rate as determined in accordance with the relevant PRC income tax rules and regulations for the financial years presented. The applicable rate for all PRC subsidiaries was 25%.

Loss for the period

Taking into account of the above mentioned factors, the loss attributable to the owners of the Company amounted to RMB 14.9 million for 2QFY2018 (2QFY2017: loss of RMB 5.3 million).

Review of Group's Financial Position**As at 31 December 2017**Trade payables

Trade payables decreased by RMB 23.0 million, mainly due to lower amount of raw materials purchased in 2QFY2018 compared to 4QFY2017.

Bank and other loans, secured

Bank and other loans decreased by RMB 113.0 million due to repayment of the bank borrowings during the period.

Cash and cash equivalents

RMB 1.8 million generated from operating activities for 2QFY2018 was mainly the result of:

- a decrease in inventories of RMB 1.0 million;
- an increase in trade payables of RMB 2.9 million; and
- an increase in accrued liabilities and other payables of RMB 4.2 million which was offset by:
- an operating loss before changes in working capital of RMB 6.1 million

RMB 114.8 million used in financing activities during 2QFY2018 was mainly contributed by the repayment of bank borrowings.

As a result of the above, cash and cash equivalents decreased by RMB 112.9 million to RMB 43.5 million, down from RMB 155.0 million as at 30 September 2017.

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

Although there was no deviation from the information disclosed in paragraph 10 of the previous results announcement, the Company had released a profit guidance announcement to the Singapore Exchange Securities Trading Limited on 5 February 2018 in view of its significantly lower overall revenue and earnings in 2QFY2018 compared to 2QFY2017.

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 market in China continues to be challenging.

During the period under review, the sales of the Group was severely affected due to the disruption in production of finished goods during the winter months in order to cut emissions of industrial pollutants caused by coal burning for fuel, in accordance with the requirements of government departments. The Group expects this to recur until the air pollution condition is significantly improved during the winter months.

The Group anticipates weaker sales in the next few months due to excess stocks in the distribution channels and weaker demand for baijiu products.

The Group will continue to rationalise its expenditure and consolidate its resources during this trying period as it rides through the challenging period in its business cycle.

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.

No dividend has been declared.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

13. 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.

14. 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.

15. A breakdown of sales

Not applicable.

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

Not applicable.

17. 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.

18. 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.

**BY ORDER OF THE BOARD
DUKANG DISTILLERS HOLDINGS LIMITED**

**ZHOU TAO
CHAIRMAN
13 February 2018**

**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 second quarter ended 31 December 2017 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
Director**

**Huo Lei
Director**

13 February 2018