

## Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

### FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 2016 Unaudited RMB'000	30 Sep 2015 Unaudited RMB'000	
Revenue	170,468	163,964	4.0
Cost of sales	(117,099)	(110,750)	5.7
<b>Gross profit</b>	53,369	53,214	0.3
Other income	593	524	13.2
Selling and distribution expenses	(29,895)	(29,112)	2.7
Administrative expenses	(22,970)	(23,831)	(3.6)
<b>Operating profit</b>	1,097	795	38.0
Finance costs	(2,170)	(2,448)	(11.4)
Share of profit of an associate	528	509	3.7
<b>Loss before income tax</b>	(545)	(1,144)	(52.4)
Income tax (expense)/credit	(3,076)	358	(959.2)
<b>Loss for the period, attributable to the owners of the Company</b>	(3,621)	(786)	360.7
<b>Other comprehensive income for the period</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange gain/(loss) on translation of financial statements of foreign operations	226	(8)	(2,925.0)
<b>Total comprehensive income for the period, attributable to the owners of the Company</b>	(3,395)	(794)	327.6

## Notes:

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

	<b>Group</b>		<b>Increase/ (Decrease)</b>
	<b>Three months ended 30 Sep 2016 Unaudited RMB'000</b>	<b>30 Sep 2015 Unaudited RMB'000</b>	
Interest income	469	380	23.4
Interest expenses	(2,170)	(2,448)	(11.4)
Depreciation of property, plant and equipment	(5,420)	(6,375)	(15.0)
Amortisation of prepaid land lease payments	(703)	(696)	1.0

**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	As at	As at	As at
	30 Sept 2016	30 Jun 2016	30 Sept 2016	30 Jun 2016
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Interests in subsidiaries	-	-	288,534	288,534
Interest in an associate	124,200	123,672	-	-
Property, plant and equipment	368,988	374,408	-	-
Prepaid land lease payments	115,258	115,961	-	-
Intangible assets	1,280	1,280	-	-
	609,726	615,321	288,534	288,534
<b>Current assets</b>				
Inventories	622,883	644,082	-	-
Amounts due from subsidiaries	-	-	546,797	546,949
Prepayments, deposits and other receivables	22,836	23,656	-	-
Cash and cash equivalents	559,417	595,627	19	19
	1,205,136	1,263,365	546,816	546,968
Non-current assets held for sale	52,592	52,592	-	-
	1,257,728	1,315,957	546,816	546,968
<b>Current liabilities</b>				
Trade payables	47,675	116,727	-	-
Amount due to an associate	28,352	29,502	-	-
Accrued liabilities and other payables	220,297	210,553	4,196	4,416
Bank and other loans, secured	135,000	135,000	-	-
Provision for income tax	3,434	3,048	-	-
	434,758	494,830	4,196	4,416
<b>Net current assets</b>	822,970	821,127	542,620	542,552
<b>Total assets less current liabilities</b>	1,432,696	1,436,448	831,154	831,086
<b>Non-current liabilities</b>				
Deferred tax liabilities	11,804	12,161	-	-
	11,804	12,161	-	-
<b>Net assets</b>	1,420,892	1,424,287	831,154	831,086
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,141,393	1,144,788	551,655	551,587
<b>Total equity</b>	1,420,892	1,424,287	831,154	831,086

**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 2016	As at 30 June 2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
135,000	-	135,000	-

**Amount repayable after one year:**

As at 30 September 2016	As at 30 June 2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral:**

As at 30 September 2016, the Group's bank and other loans amounting to RMB 135.0 million were secured by charges over the Company's 9.09% equity interest amounting to RMB 15.0 million in a subsidiary, Ruyang Dukang Distillers Company Limited, the Group's existing land use rights and leasehold buildings.

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

	<b>Group</b>	
	<b>Three months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Loss before income tax	(545)	(1,144)
Adjustments for:		
Bank interest income	(469)	(380)
Interest expenses	2,170	2,448
Depreciation of property, plant and equipment	5,420	6,375
Amortisation of prepaid land lease payments	703	696
Share of profit of an associate	(528)	(508)
Operating profit before working capital changes	6,751	7,487
Decrease in inventories	21,199	18,931
Decrease in prepayments, deposits and other receivables	820	39,086
Decrease in trade payables	(69,052)	(4,937)
Increase in accrued liabilities and other payables	9,744	37,613
Decrease in amount due to an associate	(1,150)	(933)
Cash (used in)/generated from operations	(31,688)	97,247
Income taxes paid	(3,047)	(1,024)
<b>Net cash (used in)/generated from operating activities</b>	<b>(34,735)</b>	<b>96,223</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-	(1,417)
Interest received	469	380
<b>Net cash generated from/(used in) investing activities</b>	<b>469</b>	<b>(1,037)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,170)	(2,448)
<b>Net cash used in financing activities</b>	<b>(2,170)</b>	<b>(2,448)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(36,436)</b>	<b>92,738</b>
Cash and cash equivalents at beginning of period	595,627	403,009
Effect of foreign exchange rate changes	226	(8)
<b>Cash and cash equivalents at end of period</b>	<b>559,417</b>	<b>495,739</b>
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Cash at banks and in hand</b>	<b>559,417</b>	<b>495,739</b>

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
<b>Balance as at 1 July 2015</b>	279,499	656,811	(150,101)	152,773	3,834	494,438	1,437,254
Loss for the period	-	-	-	-	-	(786)	(786)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(8)	-	(8)
<b>Total comprehensive income for the period</b>	-	-	-	-	(8)	(786)	(794)
<b>Balance as at 30 September 2015</b>	279,499	656,811	(150,101)	152,773	3,826	493,652	1,436,460
<b>Balance as at 1 July 2016</b>	279,499	656,811	(150,101)	162,848	1,529	473,701	1,424,287
Loss for the period	-	-	-	-	-	(3,621)	(3,621)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	226	-	226
<b>Total comprehensive income for the period</b>	-	-	-	-	226	(3,621)	(3,395)
<b>Balance as at 30 September 2016</b>	279,499	656,811	(150,101)	162,848	1,755	470,080	1,420,892

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
<b>Balance at 1 July 2015</b>	279,499	656,811	120,523	(58,904)	(206,723)	791,206
Loss for the period	-	-	-	-	(1,280)	(1,280)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(4)	-	(4)
<b>Total comprehensive income for the period</b>	-	-	-	(4)	(1,280)	(1,284)
<b>Balance as at 30 September 2015</b>	279,499	656,811	120,523	(58,908)	(208,003)	789,922
<b>Balance as at 1 July 2016</b>	279,499	656,811	120,523	(13,181)	(212,566)	831,086
Loss for the period	-	-	-	-	(1,830)	(1,830)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	1,898	-	1,898
<b>Total comprehensive income for the period</b>	-	-	-	1,898	(1,830)	68
<b>Balance as at 30 September 2016</b>	279,499	656,811	120,523	(11,283)	(214,396)	831,154

**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 also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

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 30 September 2016.

**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 2016	30 Jun 2016
Total number of issued shares (excluding treasury shares)	79,828,927	79,828,927

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

Not applicable.

**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 2016, 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 2016. The adoption of these revised IFRSs for the current reporting period ended 30 September 2016 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.**

	<b>Group</b>	
	<b>Three months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB</b>	<b>RMB</b>
		<b>(restated)</b>
<b>Basic</b>	(0.05)	(0.01)
<b>Diluted</b>	N/A	N/A

Basic loss per share for the period ended 30 September 2016 ("1QFY2017") was calculated based on the Group's loss for the period of approximately RMB 3,621,000 (Period ended 30 September 2015 ("1QFY2016"): loss for approximately RMB



786,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each ("Shares") (1QFY2016: 79,828,927 Shares (restated)) in issue during 1QFY2017. The corresponding weighted average number of ordinary shares in issue for the period ended 30 September 2015 has been restated on the assumption that the said share consolidation had been effective on 1 July 2015.

**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.**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 Sep 2016 RMB</b>	<b>As at 30 Jun 2016 RMB</b>	<b>As at 30 Sep 2016 RMB</b>	<b>As at 30 Jun 2016 RMB</b>
Net asset value per ordinary share	17.80	17.84	10.41	10.41
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 2016 was calculated based on the Group's net assets of approximately RMB 1,420,892,000 as at 30 September 2016 (30 June 2016: approximately RMB 1,424,287,000) divided by 79,828,927 Shares (30 June 2016: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 30 September 2016 was calculated based on the net assets of approximately RMB 831,154,000 as at 30 September 2016 (30 June 2016: approximately RMB 831,086,000) divided by 79,828,927 Shares (30 June 2016: 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****1QFY2017 VS 1QFY2016****Revenue**Luoyang Dukung

<u>1Q FY2017</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>1Q FY2016</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	22.6	157	143.9	Premium series	39.0	274	142.3
Regular series	147.9	4,643	31.9	Regular series	125.0	4,038	31.0
Total	170.5	4,800	35.5	Total	164.0	4,312	38.0

Revenue for 1QFY2017 increased by RMB 6.5 million or 4.0%.

**Gross profit and margin**

Gross profit for premium series decreased from 18.0 million to 11.0 million, while gross profit for regular series increased from RMB 35.2 million to RMB 42.4 million. GPM for premium series increased from 46.2% to 48.7% and GPM for regular series increased from 28.2% to 28.6%. Overall gross profit margin for 「Dukung」 products decreased from 32.5% to 31.3%. The decrease in gross profit margin was mainly due to the change in product mix during 1QFY2017.

**Other income**

Other income increased from RMB 0.5 million to RMB 0.6 million mainly due to an increase in proceeds from the sale of distilled grain mixture as animal feed, which is a by-product resulting from baijiu production process.

**Finance costs**

Finance costs decreased by RMB 0.3 million mainly due to a decrease in the average balance of bank loans during the period compared to 1QFY2016.

**Income tax (expense)/credit**

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% for 1QFY2017.

The income tax credit for 1QFY2016 represents the effect of reversal of deferred tax liabilities for RMB 0.4m.

#### Loss for the period

Taking into account of the above mentioned factors, the loss attributable to the owners of the Company amounted to RMB 3.6 million for 1QFY2017 (1QFY2016: loss of RMB 0.8 million).

### **Review of Group's Financial Position**

#### **30 Sept 2016 VS 30 June 2016**

#### Trade payables

Trade payables decreased by RMB 69.1 million, mainly due to a significantly lower amount of raw materials and packaging materials purchased in 1QFY2017 compared to 4QFY2016.

#### Cash and cash equivalents

Cash and cash equivalents decreased by RMB 36.2 million from RMB 595.6 million as at 30 June 2016 to RMB 559.4 million as at 30 September 2016. This was mainly due to net cash of RMB 34.7 million used in operating activities, net cash of RMB 0.5 million generated from investing activities and net cash of RMB 2.1 million used in financing activities during 1QFY2017.

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

The 1QFY2017 results are in line with the information described in paragraph 10 of the FY2016 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.**

Alcohol consumption in China has been influenced by various social and cultural changes that have taken place over the years. Trade and exchange of goods and services have introduced a variety of western alcoholic beverages to the Chinese market and preferences have gradually moved away from the traditional baijiu to

wine and beer. In addition, the anti-extravagance campaign since 2012 has dampened the baijiu market and the effect is still felt today.

Despite the challenging market situation, the Group will continue to focus its marketing activities in Henan Province. As the new peak season approaches, the Group will reassess its advertising and promotional strategy and focus on penetrating the online sales channel as young consumers, particularly the educated and internet savvy group are leading the market growth.

## **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  
14 November 2016**

**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 2016 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**

**14 November 2016**