

## Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

### FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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 2014 Unaudited RMB'000	30 Sep 2013 Unaudited RMB'000	
Revenue	207,435	389,428	(46.7)
Cost of sales	(169,312)	(240,487)	(29.6)
<b>Gross profit</b>	38,123	148,941	(74.4)
Other income	560	898	(37.6)
Selling and distribution expenses	(42,427)	(78,743)	(46.1)
Administrative expenses	(22,934)	(29,951)	(23.4)
<b>Operating (loss)/profit</b>	(26,678)	41,145	(164.8)
Finance costs	(3,348)	(849)	294.3
Share of profit of an associate	635	1,079	(41.1)
<b>(Loss)/profit before income tax</b>	(29,391)	41,375	(171.0)
Income tax expense	-	(10,921)	N.M.
<b>(Loss)/profit for the period, attributable to the owners of the Company</b>	(29,391)	30,454	N.M.
<b>Other comprehensive income for the period</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange gain on translation of financial statements of foreign operations	255	30	N.M.
<b>Total comprehensive income for the period, attributable to the owners of the Company</b>	(29,136)	30,484	N.M.

N.M.: Not meaningful

## Notes:

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

	<b>Group</b>		
	<b>Three months ended</b>	<b>30 Sep 2013</b>	<b>Increase/</b>
	<b>30 Sep 2014</b>	<b>Unaudited</b>	<b>(Decrease)</b>
	<b>Unaudited</b>	<b>RMB'000</b>	
	<b>RMB'000</b>		<b>%</b>
Interest income	302	645	(53.2)
Interest expenses	(3,348)	(849)	294.3
Depreciation of property, plant and equipment	(9,560)	(6,457)	48.1
Amortisation of prepaid land lease payments	(743)	(597)	24.5

**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 Sep 2014	30 Jun 2014	30 Sep 2014	30 Jun 2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Interests in subsidiaries	-	-	279,108	279,108
Interest in an associate	152,424	151,789	-	-
Property, plant and equipment	902,186	911,746	-	-
Prepaid land lease payments	116,967	117,710	-	-
Intangible assets	40,000	40,000	-	-
Deposits	8,801	8,801	-	-
	1,220,378	1,230,046	279,108	279,108
<b>Current assets</b>				
Inventories	676,654	689,607	-	-
Trade receivables	-	1,838	-	-
Amounts due from subsidiaries	-	-	520,965	521,243
Prepayments, deposits and other receivables	213,980	220,793	-	-
Cash and cash equivalents	300,613	391,751	23	22
	1,191,247	1,303,989	520,988	521,265
<b>Current liabilities</b>				
Trade payables	44,392	132,831	-	-
Amount due to an associate	10,438	11,841	-	-
Accrued liabilities and other payables	129,668	130,890	3,332	3,190
Bank and other loans, secured	186,000	186,000	-	-
Provision for income tax	323	2,176	-	-
	370,821	463,738	3,332	3,190
<b>Net current assets</b>	820,426	840,251	517,656	518,075
<b>Total assets less current liabilities</b>	2,040,804	2,070,297	796,764	797,183
<b>Non-current liabilities</b>				
Bank and other loans, secured	15,000	15,000	-	-
Deferred tax liabilities	56,279	56,636	-	-
	71,279	71,636	-	-
<b>Net assets</b>	1,969,525	1,998,661	796,764	797,183
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,690,026	1,719,162	517,265	517,684
<b>Total equity</b>	1,969,525	1,998,661	796,764	797,183

**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 2014	As at 30 June 2014
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
186,000	-	186,000	-

**Amount repayable after one year:**

As at 30 September 2014	As at 30 June 2014
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
15,000	-	15,000	-

**Details of any collateral:**

As at 30 September 2014, the Group's bank and other loans amounting to RMB 201.0 million were secured by charges over the Group's 9.09% equity interest 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 30 Sep 2014 Unaudited RMB'000</b>	<b>30 Sep 2013 Unaudited RMB'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax	(29,391)	41,375
Adjustments for:		
Interest income on financial assets stated at amortised cost	(302)	(645)
Interest expenses	3,348	849
Depreciation of property, plant and equipment	9,560	6,457
Amortisation of prepaid land lease payments	743	597
Share of profit of an associate	(635)	(1,079)
Operating (loss)/profit before working capital changes	(16,677)	47,554
Decrease in inventories	12,953	9,158
Decrease in trade receivables	1,838	1,635
Decrease in prepayments, deposits and other receivables	6,813	10,772
Decrease in trade payables	(88,439)	(84,555)
Decrease in accrued liabilities and other payables	(1,222)	(5,769)
Decrease in amount due to an associate	(1,403)	(2,115)
Cash used in operations	(86,137)	(23,320)
Income taxes paid	(2,210)	(32,088)
<b>Net cash used in operating activities</b>	<b>(88,347)</b>	<b>(55,408)</b>
<b>Cash flows from investing activities</b>		
Purchases of properties, plant and equipment	-	(4,134)
Interest received	302	645
<b>Net cash generated from/(used in) investing activities</b>	<b>302</b>	<b>(3,489)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank loans	-	(60,000)
Interest paid	(3,348)	(849)
<b>Net cash used in financing activities</b>	<b>(3,348)</b>	<b>(60,849)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(91,393)</b>	<b>(119,746)</b>
Cash and cash equivalents at beginning of period	391,751	757,591
Effect of foreign exchange rate changes	255	30
<b>Cash and cash equivalents at end of period</b>	<b>300,613</b>	<b>637,875</b>
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Cash at banks and in hand</b>	<b>300,613</b>	<b>637,875</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 2013</b>	279,499	656,811	(150,101)	107,267	4,196	1,057,247	1,954,919
Profit for the period	-	-	-	-	-	30,454	30,454
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	30	-	30
<b>Total comprehensive income for the period</b>	-	-	-	-	30	30,454	30,484
<b>Balance as at 30 September 2013</b>	279,499	656,811	(150,101)	107,267	4,226	1,087,701	1,985,403
<b>Balance as at 1 July 2014</b>	279,499	656,811	(150,101)	147,182	3,855	1,061,415	1,998,661
Loss for the period	-	-	-	-	-	(29,391)	(29,391)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	255	-	255
<b>Total comprehensive income for the period</b>	-	-	-	-	255	(29,391)	(29,136)
<b>Balance as at 30 September 2014</b>	279,499	656,811	(150,101)	147,182	4,110	1,032,024	1,969,525

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 2013</b>	279,499	656,811	120,523	(65,325)	(195,087)	796,421
Loss for the period	-	-	-	-	(490)	(490)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	12	-	12
<b>Total comprehensive income for the period</b>	-	-	-	12	(490)	(478)
<b>Balance as at 30 September 2013</b>	279,499	656,811	120,523	(65,313)	(195,577)	795,943
<b>Balance as at 1 July 2014</b>	279,499	656,811	120,523	(58,889)	(200,761)	797,183
Loss for the period	-	-	-	-	(676)	(676)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	257	-	257
<b>Total comprehensive income for the period</b>	-	-	-	257	(676)	(419)
<b>Balance as at 30 September 2014</b>	279,499	656,811	120,523	(58,632)	(201,437)	796,764

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 2014.

**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 2014	30 Jun 2014
Total number of issued shares (excluding treasury shares)	798,289,318	798,289,318

**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 2014, 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 2014. The adoption of these revised IFRSs for the current reporting period ended 30 September 2014 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 2014</b>	<b>30 Sep 2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB cents</b>	<b>RMB cents</b>
<b>Basic</b>	(3.68)	3.81
<b>Diluted</b>	N/A	N/A

Basic (loss)/earnings per share for the period ended 30 September 2014 ("1QFY2015") was calculated based on the Group's loss for the period of approximately RMB 29,391,000 (Period ended 30 September 2013 ("1QFY2014"): profit for approximately RMB 30,454,000) divided by the weighted average number of 798,289,318 ordinary shares of HK\$0.40 each ("Shares") (1QFY2014: 798,289,318 Shares) in issue during 1QFY2015.

**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 2014 RMB cents	As at 30 Jun 2014 RMB cents	As at 30 Sep 2014 RMB cents	As at 30 Jun 2014 RMB cents
Net asset value per ordinary share	246.72	250.37	99.81	99.86
Number of ordinary shares	798,289,318	798,289,318	798,289,318	798,289,318

Net asset value per ordinary share of the Group as at 30 September 2014 was calculated based on the Group's net assets of approximately RMB 1,969,525,000 as at 30 September 2014 (30 June 2014: approximately RMB 1,998,661,000) divided by 798,289,318 Shares (30 June 2014: 798,289,318 Shares).

Net asset value per ordinary share of the Company as at 30 September 2014 was calculated based on the net assets of approximately RMB 796,764,000 as at 30 September 2014 (30 June 2014: approximately RMB 797,183,000) divided by 798,289,318 Shares (30 June 2014: 798,289,318 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****1QFY2015 VS 1QFY2014****Revenue**Luoyang Dukang

<u>1Q FY2015</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>1Q FY2014</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	42.5	320	132.8	Premium series	121.8	648	188.0
Regular series	164.6	6,557	25.1	Regular series	188.5	6,107	30.9
Total	207.1	6,877	30.1	Total	310.3	6,755	45.9

Siwu

<u>1Q FY2015</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>1Q FY2014</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	-	-	-	Premium series	16.9	142	119.0
Regular series	0.3	10	30.0	Regular series	62.2	2,852	21.8
Total	0.3	10	30.0	Total	79.1	2,994	26.4

Revenue for 1QFY2015 decreased significantly by RMB 182.0 million or 46.7% to RMB 207.4 million. The decrease was mainly due to a significant decrease in revenue from both Luoyang Dukang and Siwu operations, as a result of China's current austerity measures on luxury gifts and spending. The Group focused on the branding and marketing efforts on the products of "Dukang" brand during the period under review.

**Gross profit and margin**

The Group's gross profit decreased by RMB 110.8 million or 74.4% to RMB 38.1 million.

Gross profit margin ("GPM") decreased by 19.8 percentage points from 38.2% to 18.4%.

**i. Luoyang Dukang**

Gross profit for premium series decreased from RMB 60.4 million to RMB 16.0 million, and gross profit for regular series decreased from RMB 63.1 million to RMB 22.0 million. GPM for premium and regular series decreased from 49.6% and 33.5% to 37.8% and 13.4%. Overall gross profit margin for 「Dukang」 products decreased from 39.8% to 18.4%. The decrease in gross profit margin was due to the change in product mix during 1QFY2015 and the decrease of selling price arising from discount

offered to the distributors during the period.

ii. Siwu

There was no recognition of revenue for premium series during 1QFY2015, and therefore the gross profit for premium series decreased from RMB 8.2 million to nil. Gross profit for regular series decreased from RMB 17.2 million to RMB 0.1 million. GPM for regular series decreased from 27.6% to 25.3%. Overall gross profit margin for “Siwu” brand products decreased from 32.1% to 25.3%. The drop in GPM was mainly due to the change in product mix.

Other income

Other income decreased from RMB 0.9 million to RMB 0.6 million mainly due to the decrease in proceeds from the sale of distilled grain mixture as animal feed, which is a by-product resulting from baijiu production process.

Selling and distribution expenses

Selling and distribution expenses decreased by 46.1% or RMB 36.3 million to RMB 42.4 million. The Group has reduced its television commercials on China Central Television by RMB 35.1 million and reallocated the advertising and promotion budget to focus more in Henan province.

Administrative expenses

Administrative expenses decreased by RMB 7.0 million to RMB 22.9 million as a result of the Group’s cost-saving efforts during this challenging time.

Finance costs

Finance costs increased by RMB 2.5 million, mainly due to the increase in average balance of bank loans during the period compared to 1QFY2014.

Share of profit of an associate

Share of profit of an associate decreased as a result of the decrease in license fee income of the Group’s associate arising from the decrease in sales of the products under the “Dukang” brand.

(Loss)/profit for the period

Taking into account of the aforementioned, the loss attributable to the owners of the Company amounted to RMB 29.4 million for 1QFY2015 (1QFY2014: profit of RMB 30.5 million).

**Review of Group's Financial Position****30 September 2014 VS 30 June 2014****Trade receivables**

There were no trade receivables recorded as at 30 September 2014 as there was no recognition of sales of Siwu products in August and September 2014.

**Trade payables**

Trade payables decreased by RMB 88.4 million, mainly due to a significantly lower amount of purchases of grain alcohol and packaging materials purchased in 1QFY2015 compared to 4QFY2014.

**Cash and cash equivalents**

Cash and cash equivalents decreased by RMB 91.1 million from RMB 391.8 million as at 30 June 2014 to RMB 300.6 million as at 30 September 2014. This was mainly due to net cash of RMB 88.3 million used in operating activities, net cash of RMB 0.3 million generated from investing activities and net cash of RMB 3.3 million used in financing activities in 1QFY2015.

**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 31 October 2014.

**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 weakening of the baijiu industry due to the austerity measures in China is felt by most distillers nationwide. As the curb on extravagance persists, more non-premium baijiu products are expected to be introduced and the overall industry margin is set to decline further.

In the period of such, the Group will continue its sales, marketing and distribution efforts to maintain its current market share for the “Dukang” brand and attracts young consumers via innovative marketing channels, such as providing customized product for wedding banquets, and engaging its audience via internet marketing and social media. The Group will also reallocate its advertising and promotional budget to focus more in Henan province.

In addition, the Group will further streamline the distributor network by being selective in its partnerships with distributors which share the same ideology in promoting the “Dukang” brand and replacing non-performing distributors with new quality distributors. In anticipation of the business opportunities when the market turns around, the Group is expanding its grain alcohol production capacity prudently. For 1QFY2015, the Group added 480 new fermentation pools, which increased the Group’s overall grain alcohol production capacity to about 9,200 tonnes. Meanwhile, there were another 480 new fermentation pools under construction. is the addition of the fermentation pools was to ensure that the Group would have sufficient aged grain alcohol to further enhance the “Dukang” brand.

## **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. Use of proceeds from issuance of Taiwan Depository Receipts**

As stated in the Taiwan Depository Receipts (TDR) Prospectus, the intended purpose and progress of use of proceeds are as follows:

Intended usages	Proceeds RMB'000	Amount utilized RMB'000	Balance RMB'000
Expansion of production capacity	175,764	175,764	-
Purchase of land use rights	18,048	17,390	658
Repayment of bank loans	65,000	65,000	-
Establishment of Taiwan office	9,118	6,335	2,783
	<u>267,930</u>	<u>264,489</u>	<u>3,441</u>

**18. 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.

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

**ZHOU TAO  
CHAIRMAN  
14 November 2014**

**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 Zhang Dingjun, 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 2014 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**

**Zhang Dingjun  
Director**

**14 November 2014**