

# Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

## THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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) %	Nine months ended		Increase/ (Decrease) %
	31 Mar 2014 Unaudited RMB'000	31 Mar 2013 Unaudited RMB'000		31 Mar 2014 Unaudited RMB'000	31 Mar 2013 Unaudited RMB'000	
<b>Revenue</b>	352,221	638,582	(44.8)	1,144,415	1,783,356	(35.8)
<b>Cost of sales</b>	(233,270)	(364,520)	(36.0)	(734,598)	(1,056,220)	(30.5)
<b>Gross profit</b>	118,951	274,062	(56.6)	409,817	727,136	(43.6)
Other income	1,359	1,979	(31.3)	3,794	5,394	(29.7)
Gain on disposal of subsidiaries	-	11,098	(100.0)	-	11,098	(100.0)
Selling and distribution expenses	(76,539)	(91,686)	(16.5)	(250,301)	(206,180)	21.4
Administrative expenses	(32,620)	(35,991)	(9.4)	(96,916)	(103,746)	(6.6)
Other operating expenses	-	(27,110)	(100.0)	-	(27,110)	(100.0)
<b>Operating profit</b>	11,151	132,352	(91.6)	66,394	406,592	(83.7)
Finance costs	(3,203)	(1,227)	161.0	(7,043)	(2,692)	161.6
Share of profit of an associate	1,957	3,473	(43.7)	5,259	8,388	(37.3)
<b>Profit before income tax</b>	9,905	134,598	(92.6)	64,610	412,288	(84.3)
<b>Income tax expense</b>	(2,445)	(32,022)	(92.4)	(16,657)	(101,845)	(83.6)
<b>Profit for the period, attributable to the owners of the Company</b>	7,460	102,576	(92.7)	47,953	310,443	(84.6)
<b>Other comprehensive income for the period</b>						
<b>Items that may be reclassified subsequently to profit and loss:</b>						
Exchange gain on translation of financial statements of foreign operations	26	679	(96.2)	83	729	(88.6)
<b>Total comprehensive income for the period, attributable to the owners of the Company</b>	7,486	103,255	(92.7)	48,036	311,172	(84.6)

## Notes:

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

	Group		Increase/ (Decrease)	Group		Increase/ (Decrease)
	Three months ended 31 Mar 2014 Unaudited RMB'000	31 Mar 2013 Unaudited RMB'000		Nine months ended 31 Mar 2014 Unaudited RMB'000	31 Mar 2013 Unaudited RMB'000	
			%			%
Interest income	835	1,359	(38.6)	2,473	3,150	(21.5)
Interest expenses	(3,203)	(1,227)	161.0	(7,043)	(2,692)	161.6
Depreciation	(6,790)	(4,537)	49.7	(20,069)	(13,949)	43.9
Amortisation of prepaid land lease payments	(598)	(598)	-	(1,793)	(2,152)	(16.7)

**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.**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 Mar 2014</b>	<b>30 Jun 2013</b>	<b>31 Mar 2014</b>	<b>30 Jun 2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Interests in subsidiaries	-	-	278,502	278,502
Interest in an associate	150,782	151,915	-	-
Property, plant and equipment	629,093	621,980	-	-
Prepaid land lease payments	118,895	120,688	-	-
Intangible assets	40,000	40,000	-	-
Deposits	175,862	175,862	-	-
	<b>1,114,632</b>	<b>1,110,445</b>	<b>278,502</b>	<b>278,502</b>
<b>Current assets</b>				
Inventories	559,497	343,011	-	-
Trade receivables	10,104	33,482	-	-
Amounts due from subsidiaries	-	-	519,111	520,623
Prepayments, deposits and other receivables	227,899	217,158	-	-
Cash at banks and in hand	549,456	757,591	23	23
	<b>1,346,956</b>	<b>1,351,242</b>	<b>519,134</b>	<b>520,646</b>
<b>Current liabilities</b>				
Trade payables	109,880	185,651	-	-
Amount due to an associate	3,485	13,651	-	-
Accrued liabilities and other payables	97,836	134,038	4,264	2,727
Bank loans, secured	186,000	84,000	-	-
Provision for tax	4,424	31,349	-	-
	<b>401,625</b>	<b>448,689</b>	<b>4,264</b>	<b>2,727</b>
<b>Net current assets</b>	<b>945,331</b>	<b>902,553</b>	<b>514,870</b>	<b>517,919</b>
<b>Total assets less current liabilities</b>	<b>2,059,963</b>	<b>2,012,998</b>	<b>793,372</b>	<b>796,421</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	57,008	58,079	-	-
	<b>57,008</b>	<b>58,079</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>2,002,955</b>	<b>1,954,919</b>	<b>793,372</b>	<b>796,421</b>
<b>EQUITY</b>				
<b>Equity attributable to the owners of the Company</b>				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,723,456	1,675,420	513,873	516,922
<b>Total equity</b>	<b>2,002,955</b>	<b>1,954,919</b>	<b>793,372</b>	<b>796,421</b>

**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 March 2014	As at 30 June 2013
---------------------	--------------------

Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
186,000	-	84,000	-

**Amount repayable after one year:**

As at 31 March 2014	As at 30 June 2013
---------------------	--------------------

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

**Details of any collateral:**

As at 31 March 2014, the Group's bank loans of RMB 186.0 million were secured by charges over part of 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.**

	Group		Group	
	Three months ended		Nine months ended	
	31 Mar 2014 Unaudited RMB'000	31 Mar 2013 Unaudited RMB'000	31 Mar 2014 Unaudited RMB'000	31 Mar 2013 Unaudited RMB'000
<b>Cash flows from operating activities</b>				
Profit before income tax	9,905	134,598	64,610	412,288
Adjustments for:				
Interest income on financial assets stated at amortised cost	(835)	(1,359)	(2,473)	(3,150)
Interest expenses	3,203	1,227	7,043	2,692
Depreciation	6,790	4,537	20,069	13,949
Amortisation of prepaid land lease payments	598	598	1,793	2,152
Gain on disposal of subsidiaries	-	(11,098)	-	(11,098)
Share of profit of an associate	(1,957)	(3,473)	(5,259)	(8,388)
Operating profit before working capital changes	17,704	125,030	85,783	408,445
(Increase)/decrease in inventories	(132,133)	17,878	(216,486)	37,192
Decrease in trade receivables	15,210	14,053	23,378	10,283
Increase in prepayments, deposits and other receivables	(497)	(299)	(10,741)	(9,809)
Decrease in trade payables	(7,099)	(75,171)	(75,771)	(70,334)
Increase/(decrease) in accrued liabilities and other payables	507	(8,660)	(36,202)	(3,787)
Decrease in amount due to an associate	(3,525)	(2,588)	(10,166)	(4,306)
Cash (used in)/generated from operations	(109,833)	70,243	(240,205)	367,684
Income taxes paid	(3,052)	(39,371)	(44,653)	(77,134)
<b>Net cash (used in)/generated from operating activities</b>	<b>(112,885)</b>	<b>30,872</b>	<b>(284,858)</b>	<b>290,550</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	-	-	(27,182)	(2,895)
Dividend received from an associate	-	-	6,392	-
Interest received	835	1,359	2,473	3,150
Proceeds from disposal of subsidiaries	-	49,389	-	49,389
<b>Net cash generated from/(used in) investing activities</b>	<b>835</b>	<b>50,748</b>	<b>(18,317)</b>	<b>49,644</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank loans	-	24,000	162,000	84,000
Repayment of bank loans	-	-	(60,000)	(55,000)
Interest paid	(3,203)	(1,227)	(7,043)	(2,692)
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,203)</b>	<b>22,773</b>	<b>94,957</b>	<b>26,308</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(115,253)</b>	<b>104,393</b>	<b>(208,218)</b>	<b>366,502</b>
Cash and cash equivalents at beginning of period	664,683	731,339	757,591	469,180
Effect of foreign exchange rate changes	26	679	83	729
<b>Cash and cash equivalents at end of period</b>	<b>549,456</b>	<b>836,411</b>	<b>549,456</b>	<b>836,411</b>
<b>Analysis of balances of cash and cash equivalents</b>				
<b>Cash at banks and in hand</b>	<b>549,456</b>	<b>836,411</b>	<b>549,456</b>	<b>836,411</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 January 2013</b>	279,499	656,811	(150,101)	146,693	4,175	836,017	1,773,094
Profit for the period	-	-	-	-	-	102,576	102,576
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	679	-	679
<b>Total comprehensive income for the period</b>	-	-	-	-	679	102,576	103,255
Disposal of subsidiaries	-	-	-	(94,596)	-	94,596	-
<b>Balance as at 31 March 2013</b>	279,499	656,811	(150,101)	52,097	4,854	1,033,189	1,876,349
<b>Balance as at 1 July 2012</b>	279,499	656,811	(150,101)	146,693	4,125	628,150	1,565,177
Profit for the period	-	-	-	-	-	310,443	310,443
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	729	-	729
<b>Total comprehensive income for the period</b>	-	-	-	-	729	310,443	311,172
Disposal of subsidiaries	-	-	-	(94,596)	-	94,596	-
<b>Balance as at 31 March 2013</b>	279,499	656,811	(150,101)	52,097	4,854	1,033,189	1,876,349
<b>Balance as at 1 January 2014</b>	279,499	656,811	(150,101)	107,267	4,253	1,097,740	1,995,469
Profit for the period	-	-	-	-	-	7,460	7,460
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	26	-	26
<b>Total comprehensive income for the period</b>	-	-	-	-	26	7,460	7,486
<b>Balance as at 31 March 2014</b>	279,499	656,811	(150,101)	107,267	4,279	1,105,200	2,002,955
<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	-	-	-	-	-	47,953	47,953
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	83	-	83
<b>Total comprehensive income for the period</b>	-	-	-	-	83	47,953	48,036
<b>Balance as at 31 March 2014</b>	279,499	656,811	(150,101)	107,267	4,279	1,105,200	2,002,955

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 as at 1 January 2013</b>	279,499	656,811	120,523	(39,029)	(188,754)	829,050
Loss for the period	-	-	-	-	(716)	(716)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	4	-	4
<b>Total comprehensive income for the period</b>	-	-	-	4	(716)	(712)
<b>Balance as at 31 March 2013</b>	279,499	656,811	120,523	(39,025)	(189,470)	828,338
<b>Balance as at 1 July 2012</b>	279,499	656,811	120,523	(40,336)	(187,322)	829,175
Loss for the period	-	-	-	-	(2,148)	(2,148)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	1,311	-	1,311
<b>Total comprehensive income for the period</b>	-	-	-	1,311	(2,148)	(837)
<b>Balance as at 31 March 2013</b>	279,499	656,811	120,523	(39,025)	(189,470)	828,338
<b>Balance as at 1 January 2014</b>	279,499	656,811	120,523	(65,296)	(196,639)	794,898
Loss for the period	-	-	-	-	(1,553)	(1,553)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	27	-	27
<b>Total comprehensive income for the period</b>	-	-	-	27	(1,553)	(1,526)
<b>Balance as at 31 March 2014</b>	279,499	656,811	120,523	(65,269)	(198,192)	793,372
<b>Balance as at 1 July 2013</b>	279,499	656,811	120,523	(65,325)	(195,087)	796,421
Loss for the period	-	-	-	-	(3,105)	(3,105)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	56	-	56
<b>Total comprehensive income for the period</b>	-	-	-	56	(3,105)	(3,049)
<b>Balance as at 31 March 2014</b>	279,499	656,811	120,523	(65,269)	(198,192)	793,372

**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 31 March 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	
	31 Mar 2014	30 Jun 2013
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 2013, 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 2013. The adoption of these revised IFRSs for the current reporting period ended 31 March 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>31 Mar 2014</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB cents</b>	<b>RMB cents</b>
<b>Basic</b>	0.93	12.85
<b>Diluted</b>	N/A	N/A

Basic earnings per share ("EPS") for the period ended 31 March 2014 ("3QFY2014") was calculated based on the Group's profit for the period of approximately RMB 7,460,000 (Period ended 31 March 2013 ("3QFY2013"): approximately RMB 102,576,000) divided by the weighted average number of 798,289,318 ordinary shares of HK\$0.40 each ("Shares") (3QFY2013: 798,289,318 Shares) in issue during 3QFY2014.

**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 31 Mar 2014 RMB cents</b>	<b>As at 30 Jun 2013 RMB cents</b>	<b>As at 31 Mar 2014 RMB cents</b>	<b>As at 30 Jun 2013 RMB cents</b>
Net asset value per ordinary share	250.91	244.89	99.38	99.77
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 31 March 2014 was calculated based on the Group's net assets of approximately RMB 2,002,955,000 as at 31 March 2014 (30 June 2013: approximately RMB 1,954,919,000) divided by 798,289,318 Shares (30 June 2013: 798,289,318 Shares).

Net asset value per ordinary share of the Company as at 31 March 2014 was calculated based on the net assets of approximately RMB 793,372,000 as at 31 March 2014 (30 June 2013: approximately RMB 796,421,000) divided by 798,289,318 Shares (30 June 2013: 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****3QFY2014 VS 3QFY2013****Revenue**Luoyang Dukang

<u>3Q FY2014</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>3Q FY2013</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	30.6	180	170.0	Premium series	237.4	1,234	192.4
Regular series	297.5	9,610	31.0	Regular series	311.4	9,455	32.9
Total	328.1	9,790	33.5	Total	548.8	10,689	51.3

Siwu

<u>3Q FY2014</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>3Q FY2013</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	1.1	9	122.2	Premium series	25.5	202	126.2
Regular series	23.0	2,313	9.9	Regular series	64.3	3,195	20.1
Total	24.1	2,322	10.4	Total	89.8	3,397	26.4

Revenue for 3QFY2014 decreased significantly by RMB 286.4 million or 44.8% to RMB 352.2 million. The decrease was due mainly to a decrease in revenue from both Luoyang Dukang and Siwu operations, as a result of China's current austerity measures on luxury gifts and spending.

**Gross profit and margin**

The Group's gross profit decreased significantly by RMB 155.1 million or 56.6% to RMB 119.0 million.

Gross profit margin ("GPM") decreased by 9.1 percentage points from 42.9% to 33.8% due primarily to a decrease in the overall GPM for 「Dukang」 products.

i. Luoyang Dukang

Gross profit for premium and regular series decreased from RMB 130.8 million and RMB 112.6 million to RMB 16.3 million and RMB 97.0 million respectively. GPM for premium series decreased from 55.1% to 53.3% and GPM for regular series decreased from 36.2% to 32.6%. Overall gross profit margin for 「Dukang」 products

decreased from 44.4% to 34.5%. The decrease in gross profit margin was due mainly to the change in product mix during 3QFY2014.

ii. Siwu

Gross profit for premium series decreased from RMB 15.1 million to RMB 0.5 million and gross profit for regular series decreased from RMB 15.5 million to RMB 5.2 million. GPM for premium series decreased from 59.3% to 47.4% and GPM for regular series decreased from 24.1% to 22.4%. Overall gross profit margin for 「Siwu」 brand products decreased from 34.1% to 23.5%. The decrease in GPM was due mainly to the change in product mix.

Other income

Other income decreased from RMB 2.0 million to RMB 1.4 million due mainly to the decreases in interest income and proceeds from the sale of distilled grain mixture, which is a by-product resulting from baijiu production process, as animal feed.

Gain on disposal of subsidiaries

During 3QFY2013, the Group disposed the entire issued share capital of Trump Dragon International Holdings Limited which holds 100% of the registered paid-up capital of Henan Trump Dragon Siwu Wine Co., Ltd. The gain represented the difference between the total purchase consideration and the net book value of the disposed net assets on the date of disposal.

Selling and distribution expenses

Selling and distribution expenses decreased by 16.5% or RMB 15.1 million to RMB 76.5 million. This was due mainly to:

- TV commercial telecast on CCTV-1, CCTV-10 and TV channels in Henan Province, which decreased by RMB 1.0 million ; and
- Bus and rooftop advertising in major Henan Province cities, which decreased by RMB 13.2 million.

From 1QFY2014, the Group intensified its advertising and promotional activities to mitigate impacts from the Chinese government's campaign against extravagance and competition from other well-known baijiu brands in the mid-end market.

Administrative expenses

Administrative expenses decreased by RMB 3.4 million to RMB 32.6 million as a result of the Group's cost-saving efforts during this challenging time.

Other operating expenses

Other operating expenses in 3QFY2013 represented donations made for improving educational environment in the rural area of Henan, China.

Finance costs

Finance costs increased by RMB 2.0 million due mainly to the increase in average balance of bank loans during the period compared to 3QFY2013.

Share of profit of an associate

Share of profit of an associate decreased as a result of a 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 expense

The income tax expense decreased in line with the drop in profit from operations.

**Review of Group's Financial Position****31 March 2014 VS 30 June 2013**Trade receivables

Trade receivables decreased by RMB 23.4 million to RMB 10.1 million due mainly to a decrease in the sale of Siwu products during the 3QFY2014 compared to 3QFY2013.

Inventories

Inventories increased by RMB 216.5 million to RMB 559.5 million due mainly to an increase in the storage of grain alcohol in order to maintain a steady and consistent supply of grain alcohol that is of good quality for ageing and production use.

Trade payables

Trade payables decreased by RMB 75.8 million due mainly to a significantly lower amount of packaging materials purchased in 3QFY2014 compared to 4QFY2013 in line with the decrease in sales volume.

Accrued liabilities and other payables

Accrued liabilities and other payables decreased by RMB 36.2 million due mainly to the decrease in value-added tax payable, consumption tax payable and other taxes and levies resulting from the decrease in sales in 3QFY2014 compared to 4QFY2013.

Bank loans, secured

Bank loans increased from RMB 84.0 million to RMB 186.0 million due mainly to additional bank loans obtained from banks during 2QFY2014 to ensure that the Group will have sufficient working capital to tide over this challenging period and to maintain good business relationships with the banks.

Cash and cash equivalents

Cash and cash equivalents decreased by RMB 208.1 million from RMB 757.6 million as at 30 June 2013 to RMB 549.5 million as at 31 March 2014. This was due mainly to net cash of RMB 284.9 million used in operating activities, net cash of RMB 18.3 million used in investing activities and net cash of RMB 95.0 million generated from financing activities during the nine months ended 31 March 2014.

**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 for 2QFY2014, the Company had released an announcement relating to the profit guidance to the Singapore Exchange Securities Trading Limited on 29 April 2014 in view of its significantly lower overall revenue and earnings in 3QFY2014 compared to 3QFY2013.

**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.**

China's baijiu industry continues to experience a slowdown under the government's anti-corruption campaign. The decreasing number of government officials' lavish banquets and receptions has a tremendous negative impact on baijiu sales. With the decreasing demand, many first-tier baijiu brands have been suffering from a 50%

retail price discount and selling at a price barely above wholesale. Many baijiu manufacturers thus experience a further squeeze in their profit margin.

To capture market interest, many baijiu brands are forced to seek new strategies in their sales and promotion. As the target market turns from government officials to established businessmen and the grass-root market in first-tier cities like Beijing and Shanghai, baijiu brands have to strategize to focus on lower-priced baijiu products.

The Group will continue its sales and marketing efforts to sustain its brand name during these difficult times. However, due to the lower profit margin, the Group will consider changing its strategies in its advertisement and promotional activities to more effectively capture the new grass-root market target.

## **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	174,200	1,564
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>262,925</u>	<u>5,005</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  
12 MAY 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 third quarter ended 31 March 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**

**12 May 2014**