

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

FULL YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 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	Year ended		Increase/ (Decrease) %
	30 Jun 2014 Unaudited RMB'000	30 Jun 2013 Audited RMB'000	
Revenue	1,450,854	2,406,220	(39.7)
Cost of sales	(927,549)	(1,421,954)	(34.8)
Gross profit	523,305	984,266	(46.8)
Other income	4,759	4,217	12.9
Gain on disposal of subsidiaries	-	11,098	N.M.
Selling and distribution expenses	(342,893)	(324,955)	5.5
Administrative expenses	(96,144)	(116,642)	(17.6)
Other operating expenses	-	(27,110)	N.M.
Operating profit	89,027	530,874	(83.2)
Finance costs	(10,463)	(4,342)	141.0
Share of profit of an associate	6,266	8,664	(27.7)
Profit before income tax	84,830	535,196	(84.1)
Income tax expense	(40,747)	(145,525)	(72.0)
Profit for the year, attributable to owners of the Company	44,083	389,671	(88.7)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations	(341)	71	(580.3)
Total comprehensive income for the year, attributable to owners of the Company	43,742	389,742	(88.8)

Notes:

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

	Group		
	Year ended		Increase/
	30 Jun 2014	30 Jun 2013	(Decrease)
	Unaudited	Audited	
	RMB'000	RMB'000	%
Interest income	2,363	2,572	(8.1)
Interest expenses	(10,463)	(4,342)	141.0
Depreciation of property, plant and equipment	(32,610)	(19,496)	67.3
Amortisation of prepaid land lease payments	(2,978)	(3,359)	(11.3)
Write-off of property, plant and equipment	(5,520)	(1,789)	208.6

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 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	279,108	278,502
Interest in an associate	151,789	151,915	-	-
Property, plant and equipment	911,746	621,980	-	-
Prepaid land lease payments	117,710	120,688	-	-
Intangible assets	40,000	40,000	-	-
Deposits	8,801	175,862	-	-
	1,230,046	1,110,445	279,108	278,502
Current assets				
Inventories	689,607	343,011	-	-
Trade receivables	1,838	33,482	-	-
Amounts due from subsidiaries	-	-	521,243	520,623
Prepayments, deposits and other receivables	220,793	217,158	-	-
Cash and cash equivalents	391,751	757,591	22	23
	1,303,989	1,351,242	521,265	520,646
Current liabilities				
Trade payables	132,831	185,651	-	-
Amount due to an associate	11,841	13,651	-	-
Accrued liabilities and other payables	130,890	134,038	3,190	2,727
Bank and other loans, secured	186,000	84,000	-	-
Provision for income tax	2,176	31,349	-	-
	463,738	448,689	3,190	2,727
Net current assets	840,251	902,553	518,075	517,919
Total assets less current liabilities	2,070,297	2,012,998	797,183	796,421
Non-current liabilities				
Bank and other loans, secured	15,000	-	-	-
Deferred tax liabilities	56,636	58,079	-	-
	71,636	58,079	-	-
Net assets	1,998,661	1,954,919	797,183	796,421
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,719,162	1,675,420	517,684	516,922
Total equity	1,998,661	1,954,919	797,183	796,421

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 June 2014	As at 30 June 2013
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
186,000	-	84,000	-

Amount repayable after one year:

As at 30 June 2014	As at 30 June 2013
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
15,000	-	-	-

Details of any collateral:

As at 30 June 2014, the Group's bank and other loans amounting to RMB 201.0 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.

	Group	
	Year ended	
	30 Jun 2014	30 Jun 2013
	Unaudited	Audited
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	84,830	535,196
Adjustments for:		
Interest income on financial assets stated at amortised cost	(2,363)	(2,572)
Interest expenses	10,463	4,342
Depreciation of property, plant and equipment	32,610	19,496
Amortisation of prepaid land lease payments	2,978	3,359
Write-off of property, plant and equipment	5,520	1,789
Gain on disposal of subsidiaries	-	(11,098)
Share of profit of an associate	(6,266)	(8,664)
Operating profit before working capital changes	127,772	541,848
(Increase)/decrease in inventories	(346,596)	55,647
Decrease in trade receivables	31,644	43,715
Increase in prepayments, deposits and other receivables	(3,635)	(22,791)
(Decrease)/increase in trade payables	(52,820)	21,481
(Decrease)/increase in accrued liabilities and other payables	(3,148)	36,271
Decrease in amount due to an associate	(1,810)	(3,850)
Cash (used in)/generated from operations	(248,593)	672,321
Income taxes paid	(71,363)	(127,556)
Net cash (used in)/generated from operating activities	(319,956)	544,765
Cash flows from investing activities		
Disposal of subsidiaries	-	49,389
Purchases of properties, plant and equipment	(152,034)	(168,513)
Deposits paid for acquisition of property, plant and equipment and land use rights	(8,801)	(175,862)
Dividend from an associate	6,392	11,331
Interest received	2,363	2,572
Net cash used in investing activities	(152,080)	(281,083)
Cash flows from financing activities		
Proceeds from bank and other loans	201,000	84,000
Repayments of bank and other loans	(84,000)	(55,000)
Interest paid	(10,463)	(4,342)
Net cash generated from financing activities	106,537	24,658
Net (decrease)/increase in cash and cash equivalents	(365,499)	288,340
Cash and cash equivalents at beginning of year	757,591	469,180
Effect of foreign exchange rate changes	(341)	71
Cash and cash equivalents at end of year	391,751	757,591

1. (d)(i) A statement (for the issuer and group) showing either (a) all changes in equity or (b) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance as at 1 July 2012	279,499	656,811	(150,101)	146,693	4,125	628,150	1,565,177
Profit for the year	-	-	-	-	-	389,671	389,671
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	71	-	71
Total comprehensive income for the year	-	-	-	-	71	389,671	389,742
Transfer to statutory reserves	-	-	-	65,113	-	(65,113)	-
Release of statutory reserves upon disposal and deregistration of subsidiaries	-	-	-	(104,539)	-	104,539	-
Balance as at 30 June 2013 and 1 July 2013	279,499	656,811	(150,101)	107,267	4,196	1,057,247	1,954,919
Profit for the year	-	-	-	-	-	44,083	44,083
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(341)	-	(341)
Total comprehensive income for the year	-	-	-	-	(341)	44,083	43,742
Transfer to statutory reserves	-	-	-	39,915	-	(39,915)	-
Balance as at 30 June 2014	279,499	656,811	(150,101)	147,182	3,855	1,061,415	1,998,661

Company	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 July 2012	279,499	656,811	120,523	(40,336)	(187,322)	829,175
Loss for the year	-	-	-	-	(7,765)	(7,765)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(24,989)	-	(24,989)
Total comprehensive income for the year	-	-	-	(24,989)	(7,765)	(32,754)
Balance as at 30 June 2013 and 1 July 2013	279,499	656,811	120,523	(65,325)	(195,087)	796,421
Loss for the year	-	-	-	-	(5,674)	(5,674)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	6,436	-	6,436
Total comprehensive income for the year	-	-	-	6,436	(5,674)	762
Balance as at 30 June 2014	279,499	656,811	120,523	(58,889)	(200,761)	797,183

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 June 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 Jun 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 year ended 30 June 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.

	Group	
	Year ended	
	30 Jun 2014	30 Jun 2013
	Unaudited	Audited
	RMB cents	RMB cents
Basic	5.52	48.81
Diluted	N/A	N/A

Basic earnings per share ("EPS") for the year ended 30 June 2014 ("FY2014") was calculated based on the Group's profit for the year of approximately RMB 44,083,000 (Year ended 30 June 2013 ("FY2013"): approximately RMB 389,671,000) divided by the weighted average number of 798,289,318 ordinary shares of HK\$0.40 each

("Shares") (FY2013: 798,289,318 Shares) in issue during FY2014.

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 Jun 2014 RMB cents	As at 30 Jun 2013 RMB cents	As at 30 Jun 2014 RMB cents	As at 30 Jun 2013 RMB cents
Net asset value per ordinary share	250.37	244.89	99.86	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 30 June 2014 was calculated based on the Group's net assets of approximately RMB 1,998,661,000 as at 30 June 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 30 June 2014 was calculated based on the net assets of approximately RMB 797,183,000 as at 30 June 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**FY2014 VS FY2013****Revenue**Luoyang Dukang

<u>FY2014</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>FY2013</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	318.3	1,807	176.1	Premium series	893.0	4,580	195.0
Regular series	957.0	30,827	31.0	Regular series	994.1	29,330	33.9
Total	1,275.3	32,634	39.1	Total	1,887.1	33,910	55.7

Siwu

<u>FY2014</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>FY2013</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	28.7	237	121.1	Premium series	105.4	840	125.5
Regular series	146.9	8,266	17.8	Regular series	413.7	19,217	21.5
Total	175.6	8,503	20.7	Total	519.1	20,057	25.9

Revenue for FY2014 decreased significantly by RMB 955.4 million or 39.7% to RMB 1,450.9 million. The decrease was mainly due 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 461.0 million or 46.8% to RMB 523.3 million.

Gross profit margin ("GPM") decreased by 4.8 percentage points from 40.9% to 36.1% primarily due to a decrease in the overall GPM for 「Dukang」 products.

i. Luoyang Dukang

Gross profit for premium and regular series decreased from RMB 484.3 million and RMB 345.8 million to RMB 162.7 million and RMB 308.3 million respectively. GPM for premium series decreased from 54.2% to 51.1% and GPM for regular series decreased from 34.8% to 32.2%. Overall gross profit margin for 「Dukang」 products decreased from 44.0% to 36.9%. The decrease in gross profit margin was mainly due

to the change in product mix during FY2014.

ii. Siwu

Gross profit for premium series decreased from RMB 57.6 million to RMB 13.9 million and gross profit for regular series decreased from RMB 96.6 million to RMB 38.4 million. GPM for premium series decreased from 54.6% to 48.5% while GPM for regular series increased from 23.3% to 26.2%. Overall gross profit margin for 「Siwu」 brand products increased slightly from 29.7% to 29.8%. The increase in GPM was due mainly to the change in product mix.

Other income

Other income increased from RMB 4.2 million to RMB 4.8 million mainly due to the increase in proceeds from the sale of distilled grain mixture as animal feed, which is a by-product resulting from baijiu production process.

Gain on disposal of subsidiaries

The Group disposed the entire issued share capital of Trump Dragon International Holdings Limited which held 100% of the registered paid-up capital of Henan Trump Dragon Siwu Wine Co., Ltd in FY2013. 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. In FY2014, there was no disposal of subsidiaries.

Selling and distribution expenses

Selling and distribution expenses increased by 5.5% or RMB 17.9 million to RMB 342.9 million. During the year, the Group intensified and increased advertising and promotional activities and increased such expenses by RMB 41.9 million to mitigate the impact from the Chinese government's campaign against extravagance and competition from other well-known baijiu brands in the mid-tier market.

Administrative expenses

Administrative expenses decreased by RMB 20.5 million to RMB 96.1 million as a result of the Group's cost-saving efforts during this challenging time.

Other operating expenses

Other operating expenses in FY2013 represented donations made for improving educational environment in the rural area of Henan, China. There were no similar donations made in FY2014.

Finance costs

Finance costs increased by RMB 6.1 million due mainly to the increase in the average balance of bank loans during the period compared to FY2013.

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 decreased in sale of the products under the 「Dukang」 brand.

Income tax expense

The Group's income tax expense decreased by 72.0% to RMB 40.7 million mainly due to a decrease in taxable profits of the Group as a result of weak market demand for the Group's products. The effective tax rate increased significantly by 20.8 percentage points mainly due to the effect arising from the increase in the non-tax deductible portion of the advertising and promotional expenses and offshore expenses on the Group's profit before income tax in FY2014 compared to FY2013.

Review of Group's Financial Position**30 June 2014 VS 30 June 2013**Property, plant and equipment

Property, plant and equipment increased by RMB 289.8 million mainly due to the completion of the acquisition of the two-storey office space in Zhengzhou City as the Group's headquarters, costs incurred for warehouses, as well as infrastructure and improvements of machinery during the year.

Deposits

Deposits decreased by RMB 167.1 million mainly due to the completion of the acquisition of the Group's headquarters during the year as mentioned above.

Trade receivables

Trade receivables decreased significantly by RMB 31.6 million to RMB 1.8 million mainly due to a significant decrease in the sale of Siwu products during the 4QFY2014 compared to 4QFY2013.

Inventories

Inventories increased by RMB 346.6 million to RMB 689.6 million mainly due to the bulk purchase of good quality grain alcohol at a competitive price. This would ensure a consistent supply of good quality grain alcohol as well as to lower the average cost of production.

Trade payables

Trade payables decreased by RMB 52.8 million mainly due to a significantly lower amount of packaging materials purchased in 4QFY2014 compared to 4QFY2013. This was in line with the decrease in sales volume.

Bank and other loans, secured

Bank loans increased by RMB 117.0 million to RMB 201.0 million mainly due to additional funding for working capital of the Group.

Cash and cash equivalents

Cash and cash equivalents decreased by RMB 365.8 million from RMB 757.6 million as at 30 June 2013 to RMB 391.8 million as at 30 June 2014. This was mainly due to net cash of RMB 320.0 million used in operating activities, net cash of RMB 152.0 million used in investing activities and net cash of RMB 106.5 million generated from financing activities during the year ended 30 June 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, the Company had released a profit guidance announcement to the Singapore Exchange Securities Trading Limited on 19 August 2014 in view of its significantly lower overall revenue and earnings in FY2014 compared to FY2013.

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 ongoing anti-corruption campaign continues to affect its baijiu market. With the government's clampdown on luxury gifting, lavish banquets and receptions, demand for premium baijiu decreased tremendously. As a result, many baijiu manufacturers underwent product reshuffling to accommodate their supply to a different target group, China's grass-roots market. Lower demand for baijiu coupled with a product shift has caused a decrease in average selling price across the industry, resulting in lower profit margins. After a year of restructuring, price and sales adjustment, some prominent first-tier baijiu brands are reporting a slight recovery as the industry downturn slowly flattens out.

Despite the structural shift from premium to non-premium baijiu and the lower margins, the Group believes the demand for baijiu is largely intact. In order to sustain the Dukang brand name in the market and gain market share, the Group intends to continue with its marketing initiatives prudently going forward.

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

	Year ended 30 June 2014 RMB'000	Year ended 30 June 2013 RMB'000
Revenue reported for the 1st half year	792,194	1,144,774
Net profit reported for the 1st half year	40,493	207,867
Revenue reported for the 2nd half year	658,660	1,261,446
Net profit reported for the 2nd half year	3,590	181,804

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	6,721	2,397
	<u>267,930</u>	<u>264,875</u>	<u>3,055</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.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are relatives of a Director or Chief Executive Officer or substantial shareholder of the Company.

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

**ZHOU TAO
CHAIRMAN
29 Aug 2014**