

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2020

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	Half year ended		Increase/ (Decrease) %
	31 Dec 2020 Unaudited RMB'000	31 Dec 2019 Unaudited RMB'000	
Revenue	36,149	40,455	(10.6)
Cost of sales	(20,066)	(24,680)	(18.7)
Gross profit	16,083	15,775	2.0
Other income	4,936	1,212	307.3
Selling and distribution expenses	(22,573)	(21,502)	5.0
Administrative expenses	(28,587)	(27,933)	2.3
Operating loss	(30,141)	(32,448)	(7.1)
Finance costs	(3,815)	(3,815)	-
Share of profit of an associate	153	171	(10.5)
Loss before income tax	(33,803)	(36,092)	(6.3)
Income tax credit	356	264	34.8
Loss for the period, attributable to the owners of the Company	(33,447)	(35,828)	(6.6)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(2,205)	(5,072)	(56.5)
Total comprehensive income for the period, attributable to the owners of the Company	(35,652)	(40,900)	(12.8)

Notes:

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

	Group		Increase/ (Decrease)
	Half year ended	Half year ended	
	31 Dec 2020	31 Dec 2019	
	Unaudited	Unaudited	
	RMB'000	RMB'000	%
Interest income	162	212	(23.6)
Interest expenses	(3,815)	(3,815)	-
Depreciation of property, plant and equipment	(14,853)	(12,978)	14.4
Amortisation of prepaid land lease payments	-	(1,988)	(100.0)
Gain on disposal of property, plant and equipment	121	-	N.M.

N.M. Not Meaningful

1. (b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	Unaudited As at 31 Dec 2020 RMB'000	Audited As at 30 Jun 2020 RMB'000	Unaudited As at 31 Dec 2020 RMB'000	Audited As at 30 Jun 2020 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	793,606	793,606
Interest in an associate	11,276	11,123	-	-
Property, plant and equipment	358,922	373,842	-	-
Prepayments	731	731	-	-
	370,929	385,696	793,606	793,606
Current assets				
Inventories	757,838	751,136	-	-
Amount due from a subsidiary	-	-	-	4,560
Prepayments, deposits and other receivables	9,585	16,682	-	-
Income tax recoverable	696	466	-	-
Cash and cash equivalents	74,259	121,877	8	8
	842,378	890,161	8	4,568
Current liabilities				
Trade payables	56,552	85,072	-	-
Amount due to an associate	9,175	8,887	-	-
Amount due to a subsidiary	-	-	1,637	-
Accrued liabilities and other payables	111,828	110,140	3,884	6,448
Bank loans, secured	115,000	115,000	-	-
	292,555	319,099	5,521	6,448
Net current assets/(liabilities)	549,823	571,062	(5,513)	(1,880)
Total assets less current liabilities	920,752	956,758	788,093	791,726
Non-current liabilities				
Deferred tax liabilities	10,667	11,021	-	-
	10,667	11,021	-	-
Net assets	910,085	945,737	788,093	791,726
EQUITY				
Equity attributable to owners of the Parent				
Share capital	279,499	279,499	279,499	279,499
Reserves	630,586	666,238	508,594	512,227
Total equity	910,085	945,737	788,093	791,726

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

As at 31 December 2020		As at 30 June 2020	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
115,000	-	115,000	-

Details of any collateral:

As at 31 December 2020, the Group's bank loans amounting to RMB115.0 million were secured by charges over the Group's existing land use rights, leasehold buildings and guaranteed by a director.

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	
	Half year ended	
	31 Dec 2020	31 Dec 2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(33,803)	(36,092)
Adjustments for:		
Bank interest income	(162)	(212)
Interest expenses	3,815	3,815
Depreciation of property, plant and equipment	14,853	12,978
Gain on disposal of property, plant and equipment	(121)	-
Amortisation of prepaid land lease payments	-	1,988
Share of profit of an associate	(153)	(171)
Operating loss before working capital changes	(15,571)	(17,694)
Increase in inventories	(6,702)	(11,843)
Decrease in prepayments, deposits and other receivables	7,097	1,981
Decrease in trade payables	(28,520)	(10,124)
Decrease in accrued liabilities and other payables	(4,442)	(6,156)
Increase in amount due to an associate	288	373
Cash used in operations	(47,850)	(43,463)
Income taxes paid	(228)	(264)
Net cash used in from operating activities	(48,078)	(43,727)
Cash flows from investing activities		
Proceeds from disposals of property, plant and equipment	188	-
Interest received	162	212
Net cash generated from investing activities	350	212
Cash flows from financing activities		
Advance from a director	6,130	3,384
Interest paid	(3,815)	(3,815)
Net cash generated from/(used in) financing activities	2,315	(431)
Net decrease in cash and cash equivalents	(45,413)	(43,946)
Cash and cash equivalents at beginning of period	121,877	156,501
Effect of foreign exchange rate changes	(2,205)	(5,072)
Cash and cash equivalents at end of period	74,259	107,483
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	74,259	107,483

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 capitalisation 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/accumulated losses RMB'000	Total equity RMB'000
Balance as at 1 July 2019	279,499	656,811	(150,101)	169,567	(640)	63,154	1,018,290
Loss for the period	-	-	-	-	-	(35,828)	(35,828)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(5,072)	-	(5,072)
Total comprehensive income for the period	-	-	-	-	(5,072)	(35,828)	(40,900)
Balance as at 31 December 2019	279,499	656,811	(150,101)	169,567	(5,712)	27,326	977,390
Balance as at 1 July 2020	279,499	656,811	(150,101)	169,567	741	(10,780)	945,737
Loss for the period	-	-	-	-	-	(33,447)	(33,447)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(2,205)	-	(2,205)
Total comprehensive income for the period	-	-	-	-	(2,205)	(33,447)	(35,652)
Balance as at 31 December 2020	279,499	656,811	(150,101)	169,567	(1,464)	(44,227)	910,085

COMPANY	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at 1 July 2019	279,499	656,811	120,523	(25,081)	(232,486)	799,266
Loss for the period	-	-	-	-	(3,277)	(3,277)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	111	-	111
Total comprehensive income for the period	-	-	-	111	(3,277)	(3,166)
Balance as at 31 December 2019	279,499	656,811	120,523	(24,970)	(235,763)	796,100
Balance as at 1 July 2020	279,499	656,811	120,523	(24,954)	(240,153)	791,726
Loss for the period	-	-	-	-	(3,913)	(3,913)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	280	-	280
Total comprehensive income for the period	-	-	-	280	(3,913)	(3,633)
Balance as at 31 December 2020	279,499	656,811	120,523	(24,674)	(244,066)	788,093

1. (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital during the current financial period reported on. The Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2020.

1. (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	31 Dec 2020	30 Jun 2020
Total number of issued shares (excluding treasury shares)	79,828,927	79,828,927

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

Not applicable.

1. (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have any subsidiary that holds shares issued by the Company.

2. Whether the figures have been audited or reviewed in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- a) Updates on the efforts taken to resolve each outstanding audit issue.
- b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 2020, 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 2020. The adoption of these revised IFRSs for the current reporting period ended 31 December 2020 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	
	Half year ended	
	31 Dec 2020	31 Dec 2019
	Unaudited	Unaudited
	RMB	RMB
Basic	(0.42)	(0.45)
Diluted	N/A	N/A

Basic loss per share for the period ended 31 December 2020 (“HY2021”) was calculated based on the Group’s loss for the period of approximately RMB33,447,000 (Period ended 31 December 2019 (“HY2020”): approximately RMB35,828,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each (“Shares”) (HY2020: 79,828,927 Shares) in issue during HY2021.

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	As at	As at	As at
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	11.40	11.85	9.87	9.92
Number of ordinary shares	79,828,927	79,828,927	79,828,927	79,828,927

Net asset value per ordinary share of the Group as at 31 December 2020 was calculated based on the Group’s net assets of approximately RMB910,085,000 as at 31 December 2020 (30 June 2020: approximately RMB945,737,000) divided by 79,828,927 Shares (30 June 2020: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 31 December 2020 was calculated based on the net assets of approximately RMB788,093,000 as at 31 December 2020 (30 June 2020: approximately RMB791,726,000) divided by 79,828,927 Shares (30 June 2020: 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 or liabilities of the group during the current financial period reported on.

Review of Group's Performance

HY2021 vs HY2020

<u>HY FY2021</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>HY FY2020</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	20.8	129	161.2	Premium series	29.2	189	154.5
Regular series	15.3	453	33.8	Regular series	11.3	256	44.1
Total	36.1	582	62.0	Total	40.5	445	91.0

Revenue

Group revenue for HY2021 decreased by RMB4.3 million or 10.6% to RMB36.1 million. During the national lockdown in February 2020 as a result of the outbreak of the COVID-19 pandemic, there was a drastic change in consumers' consumption habit and spending pattern on discretionary consumer goods. The Group's baijiu sales were therefore disrupted since then.

Gross profit and margin

The Group's gross profit increased by RMB0.3 million or 2.0% to RMB16.1 million.

Gross profit for premium series decreased from RMB12.8 million to RMB11.3 million, while gross profit for regular series increased from RMB3.0 million to RMB4.8 million. Gross Profit Margin ("GPM") for premium series increased from 43.8% to 54.3% and GPM for regular series increased from 26.4% to 31.3%. Overall GPM decreased from 39.0% to 44.5%. The increase in GPM was mainly due to the change in product mix between the two periods.

Other income

Other income increased from RMB1.2 million to RMB4.9 million mainly due to an increase in government grants received during the period.

Selling and distribution expenses

Selling and distribution expenses increased by 5.0% or RMB1.1 million to RMB22.6 million, mainly due to an increase in TV and radio commercial broadcast on channels in Henan Province by RMB0.2 million and an increase in bus, rooftop and billboard advertising by RMB0.7 million.

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 a decrease in sale of the products under the "Dukang" brand.

Loss for the period

Taking into account of the above mentioned, the loss attributable to the owners of the Company amounted to RMB33.4 million for HY2021 (HY2020: loss of RMB35.8 million).

Review of Group's Financial Position as at 31 December 2020Property, plant and equipment

Property, plant and equipment decreased by RMB14.9 million, mainly due to the depreciation charges during the period.

Prepayments, deposits and other receivables

Prepayment, deposits and other receivables decreased by RMB7.1 million. Due to the weak demand of the Group's products, large amount of purchased packaging materials and alcohol remained unused. To maintain flexibility of different types of inventory items for future consumption, the Group managed to return these inventory items back to suppliers in 4QFY2017 and the remaining unused balance was classified as prepayment. The unused balance further reduced by RMB6.6 million, was offset by the purchase of packaging materials during first half of FY2021.

Trade payables

Trade payables decreased by RMB28.5 million, mainly due to a significant lower amount of grain alcohol and packaging materials purchased in HY2021 compared to FY2020.

Amount due to an associate

Amount due to an associate increased by RMB0.3 million, mainly due to the unpaid accruals of license fee payable to the associate during the period.

Statement of Cash Flows for the period ended 31 December 2020

RMB48.1 million used in operating activities for HY2021 was mainly the result of:

- (1) an operating loss before changes in working capital of RMB15.6 million;
- (2) a decrease in trade payables of RMB28.5 million;
- (3) an increase in inventories of RMB6.7 million;
- (4) a decrease in accrued liabilities and other payables of RMB4.5 million; and
- (5) income taxes paid of RMB0.2 million,

which was offset by:

- (1) a decrease in prepayments, deposits and other receivables of RMB7.1 million; and
- (2) an increase in amount due to an associate of RMB0.3 million.

RMB0.4 million was generated from investing activities during the period ended 31 December 2020 due to proceeds from disposals of property, plant and equipment of RMB0.2 million and interest received of RMB0.2 million during the period.

RMB2.3 million was generated from financing activities during the period ended 31 December 2020 mainly due to an advance of RMB6.1 million from a director, offset by payment of interest for RMB3.8 million during the period.

As a result of the above and taking into the effect of changes in exchange rate, cash and cash equivalents decreased by RMB47.6 million to RMB74.3 million, down from RMB121.9 million as at 30 June 2020.

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

The HY2021 results are in line with the information disclosed in paragraph 10 of the FY2020 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.

China's economy started the new year on a weaker footing as new COVID-19 outbreaks and pandemic-containment measures are likely to restrain economic activity. According to data from Beijing's National Bureau of Statistics, industrial and services activities eased more than expected in January 2021, with demand taking a particular hit as authorities discouraged travel ahead of February's Lunar New Year festival.

As a result, demand for the Group's baijiu products may continue to be weak due to fresh outbreaks of the COVID-19 in China.

In view of the Group's trend of declining profitability and losses in recent years, the Board undertook a strategic review in FY2018 and proposed to dispose the lossmaking baijiu business and enter into the kiwifruit cultivation and processing industry (the "Proposed Transactions").

For more information on the Proposed Transactions, please refer to the Company's announcements dated 17 November 2018, 15 November 2019, 8 June 2020, 30 June 2020 and 9 December 2020.

11. Dividend

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**
No interim dividend was declared or recommended.
- (b) (i) **Amount per share**
Not applicable.
- (ii) **Amount per share**
No interim dividend was declared or recommended in the previous corresponding period.
- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**
Not applicable.
- (d) **The date the dividend is payable.**
Not applicable.
- (e) **The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**
Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared as the Company is loss making.

13. 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.

14. 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.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

15. 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.

16. 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.

17. A breakdown of sales

Not applicable.

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

Not applicable.

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

**ZHOU TAO
CHAIRMAN
9 February 2021**

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 half year ended 31 December 2020 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**

9 February 2021