

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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 2018 Unaudited RMB'000	30 Sep 2017 Unaudited RMB'000	
Revenue	19,725	20,093	(1.8)
Cost of sales	(14,022)	(16,691)	(16.0)
Gross profit	5,703	3,402	67.6
Other income	119	133	(10.5)
Selling and distribution expenses	(5,471)	(6,847)	(20.1)
Administrative expenses	(23,734)	(20,995)	13.0
Operating profit	(23,383)	(24,307)	(3.8)
Finance costs	(1,918)	(1,886)	1.7
Share of profit of an associate	60	62	(3.2)
Loss before income tax	(25,241)	(26,131)	(3.4)
Income tax credit	403	357	12.9
Loss for the period, attributable to the owners of the Company	(24,838)	(25,774)	(3.6)
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	(2,253)	576	(491.1)
Total comprehensive income for the period, attributable to the owners of the Company	(27,091)	(25,198)	7.5

Notes:

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

	Group		Increase/ (Decrease)
	Three months ended 30 Sep 2018 Unaudited RMB'000	30 Sep 2017 Unaudited RMB'000	
Interest income	119	133	(10.5)
Interest expenses	(1,918)	(1,886)	1.7
Depreciation of property, plant and equipment	(6,780)	(6,572)	3.2
Amortisation of prepaid land lease payments	(994)	(754)	31.8

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

	GROUP		COMPANY	
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	30 Sept 2018	30 Jun 2018	30 Sept 2018	30 Jun 2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	825,576	793,606
Interest in an associate	13,780	13,720	-	-
Property, plant and equipment	287,879	294,659	-	-
Prepaid land lease payments	135,570	136,564	-	-
Intangible assets	280	280	-	-
	437,509	445,223	825,576	793,606
Current assets				
Inventories	695,169	715,000	-	-
Amounts due from subsidiaries	-	-	18,725	18,000
Prepayments, deposits and other receivables	43,722	44,699	-	-
Cash and cash equivalents	143,637	175,039	14	13
	882,528	934,738	18,739	18,013
Current liabilities				
Trade payables	24,299	60,914	-	-
Amount due to an associate	5,396	5,106	-	-
Accrued liabilities and other payables	101,794	97,640	8,222	6,070
Bank and other loans, secured	115,000	115,000	-	-
Provision for income tax	354	660	-	-
	246,843	279,320	8,222	6,070
Net current assets	635,685	655,418	10,517	11,943
Total assets less current liabilities	1,073,194	1,100,641	836,093	805,549
Non-current liabilities				
Deferred tax liabilities	11,235	11,591	-	-
	11,235	11,591	-	-
Net assets	1,061,959	1,089,050	836,093	805,549
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	782,460	809,551	556,594	526,050
Total equity	1,061,959	1,089,050	836,093	805,549

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 2018	As at 30 June 2018
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
115,000	-	115,000	-

Details of any collateral:

As at 30 September 2018, the Group's bank loans amounting to RMB115.0 million were secured by charges over 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	
	Three months ended	
	30 Sep 2018	30 Sep 2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(25,241)	(26,131)
Adjustments for:		
Bank interest income	(119)	(133)
Interest expenses	1,918	1,886
Depreciation of property, plant and equipment	6,780	6,572
Amortisation of prepaid land lease payments	994	754
Share of profit of an associate	(60)	(62)
Operating loss before working capital changes	(15,728)	(17,114)
Decrease in inventories	19,831	7,896
Decrease in prepayments, deposits and other receivables	977	4,546
Decrease in trade payables	(36,615)	(25,889)
Increase/(decrease) in accrued liabilities and other payables	2,257	(3,634)
Increase in amount due to an associate	290	1,322
Cash used in operations	(28,988)	(32,873)
Income taxes paid	(259)	(1,116)
Net cash used in operating activities	(29,247)	(33,989)
Cash flows from investing activities		
Interest received	119	133
Net cash generated from investing activities	119	133
Cash flows from financing activities		
Interest paid	(1,918)	(1,886)
Advance from a director	1,897	-
Net cash used in financing activities	(21)	(1,886)
Net decrease in cash and cash equivalents	(29,149)	(35,742)
Cash and cash equivalents at beginning of period	175,039	190,213
Effect of foreign exchange rate changes	(2,253)	576
Cash and cash equivalents at end of period	143,637	155,047
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	143,637	155,047

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 2017	279,499	656,811	(150,101)	168,846	193	355,262	1,310,510
Loss for the period	-	-	-	-	-	(25,774)	(25,774)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	576	-	576
Total comprehensive income for the period	-	-	-	-	576	(25,774)	(25,198)
Balance as at 30 September 2017	279,499	656,811	(150,101)	168,846	769	329,488	1,285,312
Balance as at 1 July 2018	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the period	-	-	-	-	-	(24,838)	(24,838)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(2,253)	-	(2,253)
Total comprehensive income for the period	-	-	-	-	(2,253)	(24,838)	(27,091)
Balance as at 30 September 2018	279,499	656,811	(150,101)	169,567	(1,486)	107,669	1,061,959

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 2017	279,499	656,811	120,523	(1,533)	(219,913)	835,387
Loss for the period	-	-	-	-	(1,970)	(1,970)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(10,803)	-	(10,803)
Total comprehensive income for the period	-	-	-	(10,803)	(1,970)	(12,773)
Balance as at 30 September 2017	279,499	656,811	120,523	(12,336)	(221,883)	822,614
Balance as at 1 July 2018	279,499	656,811	120,523	(25,507)	(225,777)	805,549
Loss for the period	-	-	-	-	(1,884)	(1,884)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	32,428	-	32,428
Total comprehensive income for the period	-	-	-	32,428	(1,884)	30,544
Balance as at 30 September 2018	279,499	656,811	120,523	6,921	(227,661)	836,093

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 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 and there were no treasury shares and subsidiary holdings as at 30 September 2018.

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 2018	30 Jun 2018
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 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 2018, 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 2018. The adoption of these revised IFRSs for the current reporting period ended 30 September 2018 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	
	Three months ended	
	30 Sep 2018	30 Sep 2017
	Unaudited	Unaudited
	RMB	RMB
Basic	(0.31)	(0.32)
Diluted	N/A	N/A

Basic loss per share for the period ended 30 September 2018 ("1QFY2019") was calculated based on the Group's loss for the period of approximately RMB24,838,000 (Period ended 30 September 2017 ("1QFY2018"): loss of approximately RMB25,774,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each ("Shares") (1QFY2018: 79,828,927 Shares) in issue during 1QFY2019.

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
	30 Sep 2018	30 Jun 2018	30 Sep 2018	30 Jun 2018
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	13.30	13.64	10.47	10.09
Number of ordinary shares	79,828,927	79,828,927	79,828,927	79,828,927

Net asset value per ordinary share of the Group as at 30 September 2018 was calculated based on the Group's net assets of approximately RMB1,061,959,000 as at 30 September 2018 (30 June 2018: approximately RMB1,089,050,000) divided by 79,828,927 Shares (30 June 2018: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 30 September 2018 was calculated based on the net assets of approximately RMB836,093,000 as at 30 September 2018 (30 June 2018: approximately RMB805,549,000) divided by 79,828,927 Shares (30 June 2018: 79,828,927 Shares).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following;

- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal and cyclical factors; and**
- b) any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.**

Review of Group's Performance

1QFY2019 vs 1QFY2018

Luoyang Dukang

<u>1Q FY2019</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>1Q FY2018</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	17.8	134	132.8	Premium series	10.9	162	67.3
Regular series	1.9	80	23.8	Regular series	9.2	441	20.9
Total	19.7	214	92.1	Total	20.1	603	33.3

Revenue

Group revenue for 1QFY2019 decreased by RMB0.4 million or 1.8% to RMB19.7 million mainly due to change in product mix.

Gross profit and margin

The Group's gross profit increased by RMB2.3 million or 67.6% to RMB5.7 million.

Gross profit for premium series increased from RMB2.3 million to RMB5.5 million, while gross profit for regular series decreased from RMB1.1 million to RMB0.2 million. GPM for premium series increased from 20.8% to 31.0% and GPM for regular series decreased from 12.4% to 9.2%. Overall gross profit margin for "Dukang" products increased from 16.9% to 28.9%. The increase in gross profit margin was mainly due to a downsize in scale of the sales promotion in the form of giving finished goods to distributors who placed orders, and also change in product mix between the two periods.

Other income

Other income decreased from RMB0.13 million to RMB0.12 million mainly due to the decrease in interest income during the period.

Selling and distribution expenses

Selling and distribution expenses decreased by 20.1% or RMB1.3 million to RMB5.5 million, mainly due to a decrease in TV and radio commercial broadcast on channels in Henan Province by RMB1.0 million and a decrease in bus and rooftop advertising in major Henan Province cities by RMB0.3 million.

Administrative expenses

Administrative expenses increased by RMB2.7 million to RMB23.7 million mainly due to a donation of approximately RMB2.2 million in respect of a poverty reduction campaign organised by the Chinese government.

Loss for the period

Taking into account of the above mentioned, the loss attributable to the owners of the Company amounted to RMB24.8 million for 1QFY2019 (1QFY2018: loss of RMB25.8 million).

Review of Group's Financial Position as at 30 September 2018Trade payables

Trade payables decreased by RMB36.6 million mainly due to a significantly lower amount of grain alcohol and packaging materials purchased in 1QFY2019 compared to 4QFY2018.

Amount due to an associate

Amount due to an associate increased by RM0.3 million mainly due to the unpaid accruals of license fee payable to the associate during the period.

Statement of Cash Flows for the year ended 30 September 2018

RMB29.2 million used in operating activities for 1QFY2019 was mainly the result of:

- (1) a decrease in trade payables of RMB36.6 million; and
- (2) an operating loss before changes in working capital of RMB15.7 million.

which was offset by:

- (1) a decrease in inventories of RMB19.8 million;

- (2) a decrease in prepayments, other receivables and deposits of RMB1.0 million;
- (3) an increase in accrued liabilities and other payables of RMB2.3 million; and
- (4) an increase in amount due to an associate of RMB0.3 million.

RMB0.1 million was generated from investing activities during the period ended 30 September 2018 was due to interest received during the period.

RMB0.02 million was used in financing activities during the period ended 30 September 2018 mainly due to an increase of approximately RMB1.92 million advanced from a director, offset by RMB1.9 million of interest paid 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 RMB31.4 million to RMB143.6 million, down from RMB175.0 million as at 30 June 2018.

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

The 1QFY2019 results are in line with the information disclosed in paragraph 10 of the FY2018 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 advanced 6.5 percent year-on-year in the third quarter of 2018, being the slowest pace since the aftermath of the global financial crisis in 2009. Chinese consumers have become conservative and the deepening of trade tensions with the U.S. and a slumping stock market have diminished the demand of premium baijiu products since mid-2018.

In addition, baijiu producers are also facing the risk of possible government measures to curb alcohol consumption. As a result, the baijiu market remains challenging for the Group.

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/recommendeded, a statement to that effect.

No dividend has been declared.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

15. A breakdown of sales

Not applicable.

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

Not applicable.

17. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for IPTs.

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

**ZHOU TAO
CHAIRMAN
13 November 2018**

**CONFIRMATION BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING
MANUAL OF SGX-ST**

On behalf of the Board of Directors, we, Zhou Tao and Huo Lei, confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Dukang Distillers Holdings Limited, which may render the financial statements for the first quarter ended 30 September 2018 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**

13 November 2018