

## Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

### FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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 2015 Unaudited RMB'000	30 Sep 2014 Unaudited RMB'000	
<b>Revenue</b>	163,964	207,435	(21.0)
Cost of sales	(110,750)	(169,312)	(34.6)
<b>Gross profit</b>	53,214	38,123	39.6
Other income	524	560	(6.4)
Selling and distribution expenses	(29,112)	(42,427)	(31.4)
Administrative expenses	(23,831)	(22,934)	3.9
<b>Operating gain/(loss)</b>	795	(26,678)	(103.0)
Finance costs	(2,448)	(3,348)	(26.9)
Share of profit of an associate	509	635	(19.8)
<b>Loss before income tax</b>	(1,144)	(29,391)	(96.1)
Income tax credit	358	-	N.M.
<b>Loss for the period, attributable to the owners of the Company</b>	(786)	(29,391)	(97.3)
<b>Other comprehensive income for the period</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange (loss)/gain on translation of financial statements of foreign operations	(8)	255	(103.1)
<b>Total comprehensive income for the period, attributable to the owners of the Company</b>	(794)	(29,136)	(97.3)

N.M.: Not meaningful

## Notes:

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

	<b>Group</b>		<b>Increase/ (Decrease) %</b>
	<b>Three months ended 30 Sep 2015 Unaudited RMB'000</b>	<b>30 Sep 2014 Unaudited RMB'000</b>	
Interest income	380	302	25.8
Interest expenses	(2,448)	(3,348)	(26.9)
Depreciation of property, plant and equipment	(6,375)	(9,560)	(33.3)
Amortisation of prepaid land lease payments	(696)	(743)	(6.3)

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	Audited	Unaudited	Audited
	As at	As at	As at	As at
	30 Sept 2015	30 Jun 2015	30 Sept 2015	30 Jun 2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Interests in subsidiaries	-	-	279,108	279,108
Interest in an associate	119,578	119,070	-	-
Property, plant and equipment	380,643	385,601	-	-
Prepaid land lease payments	118,081	118,777	-	-
Intangible assets	1,280	1,280	-	-
Deposits	6,537	6,537	-	-
	626,119	631,265	279,108	279,108
<b>Current assets</b>				
Inventories	644,769	663,700	-	-
Amounts due from subsidiaries	-	-	514,904	515,526
Prepayments, deposits and other receivables	48,784	87,870	-	-
Cash and cash equivalents	495,739	403,009	23	22
	1,189,292	1,154,579	514,927	515,548
Non-current assets held for sale	52,592	52,592	-	-
	1,241,884	1,207,171	514,927	515,548
<b>Current liabilities</b>				
Trade payables	74,830	79,767	-	-
Amount due to an associate	19,164	20,097	-	-
Accrued liabilities and other payables	186,821	149,208	4,113	3,450
Bank and other loans, secured	119,750	119,750	-	-
Provision for income tax	3,890	4,914	-	-
	404,455	373,736	4,113	3,450
<b>Net current assets</b>	837,429	833,435	510,814	512,098
<b>Total assets less current liabilities</b>	1,463,548	1,464,700	789,922	791,206
<b>Non-current liabilities</b>				
Bank and other loans, secured	15,000	15,000	-	-
Deferred tax liabilities	12,088	12,446	-	-
	27,088	27,446	-	-
<b>Net assets</b>	1,436,460	1,437,254	789,922	791,206
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,156,961	1,157,755	510,423	511,707
<b>Total equity</b>	1,436,460	1,437,254	789,922	791,206

**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 2015	As at 30 June 2015
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
119,750	-	119,750	-

**Amount repayable after one year:**

As at 30 September 2015	As at 30 June 2015
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
15,000	-	15,000	-

**Details of any collateral:**

As at 30 September 2015, the Group's bank and other loans amounting to RMB 134.8 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.**

	<b>Group</b>	
	<b>Three months ended</b>	
	<b>30 Sep 2015</b>	<b>30 Sep 2014</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Loss before income tax	(1,144)	(29,391)
Adjustments for:		
Interest income on financial assets stated at amortised cost	(380)	(302)
Interest expenses	2,448	3,348
Depreciation of property, plant and equipment	6,375	9,560
Amortisation of prepaid land lease payments	696	743
Share of profit of an associate	(508)	(635)
Operating profit/(loss) before working capital changes	7,487	(16,677)
Decrease in inventories	18,931	12,953
Decrease in trade receivables	-	1,838
Decrease in prepayments, deposits and other receivables	39,086	6,813
Decrease in trade payables	(4,937)	(88,439)
Increase/(decrease) in accrued liabilities and other payables	37,613	(1,222)
Decrease in amount due to an associate	(933)	(1,403)
Cash generated from/(used in) operations	97,247	(86,137)
Income taxes paid	(1,024)	(2,210)
<b>Net cash generated from/(used in) operating activities</b>	<b>96,223</b>	<b>(88,347)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,417)	-
Interest received	380	302
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,037)</b>	<b>302</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,448)	(3,348)
<b>Net cash used in financing activities</b>	<b>(2,448)</b>	<b>(3,348)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>92,738</b>	<b>(91,393)</b>
Cash and cash equivalents at beginning of period	403,009	391,751
Effect of foreign exchange rate changes	(8)	255
<b>Cash and cash equivalents at end of period</b>	<b>495,739</b>	<b>300,613</b>
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Cash at banks and in hand</b>	<b>495,739</b>	<b>300,613</b>

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

Group	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
<b>Balance as at 1 July 2014</b>	279,499	656,811	(150,101)	147,182	3,855	1,061,415	1,998,661
Loss for the period	-	-	-	-	-	(29,391)	(29,391)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	255	-	255
<b>Total comprehensive income for the period</b>	-	-	-	-	255	(29,391)	(29,136)
<b>Balance as at 30 September 2014</b>	279,499	656,811	(150,101)	147,182	4,110	1,032,024	1,969,525
<b>Balance as at 1 July 2015</b>	279,499	656,811	(150,101)	152,773	3,834	494,438	1,437,254
Loss for the period	-	-	-	-	-	(786)	(786)
Other comprehensive income							
Exchange (loss)/gain on translation of financial statements of foreign operations	-	-	-	-	(8)	-	(8)
<b>Total comprehensive income for the period</b>	-	-	-	-	(8)	(786)	(794)
<b>Balance as at 30 September 2015</b>	279,499	656,811	(150,101)	152,773	3,826	493,652	1,436,460

COMPANY	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>Balance at 1 July 2014</b>	279,499	656,811	120,523	(58,889)	(200,761)	797,183
Loss for the period	-	-	-	-	(676)	(676)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	257	-	257
<b>Total comprehensive income for the period</b>	-	-	-	257	(676)	(419)
<b>Balance as at 30 September 2014</b>	279,499	656,811	120,523	(58,632)	(201,437)	796,764
<b>Balance as at 1 July 2015</b>	279,499	656,811	120,523	(58,904)	(206,723)	791,206
Loss for the period	-	-	-	-	(1,280)	(1,280)
Other comprehensive income						
Exchange (loss)/gain on translation of financial statements	-	-	-	(4)	-	(4)
<b>Total comprehensive income for the period</b>	-	-	-	(4)	(1,280)	(1,284)
<b>Balance as at 30 September 2015</b>	279,499	656,811	120,523	(58,908)	(208,003)	789,922

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

There was no change in the Company's share capital during the current financial period reported on. The Company had no outstanding convertibles and there were no shares held as treasury shares as at 30 September 2015.

**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 2015	30 Jun 2015
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 2015, 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 2015. The adoption of these revised IFRSs for the current reporting year ended 30 September 2015 did not result in material changes to the Group's results.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Item 4 above.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Group</b>	
	<b>Three months ended</b>	
	<b>30 Sep 2015</b>	<b>30 Sep 2014</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB cents</b>	<b>RMB cents</b>
<b>Basic</b>	(0.10)	(3.68)
<b>Diluted</b>	N/A	N/A

Basic loss per share for the period ended 30 September 2015 ("1QFY2016") was calculated based on the Group's loss for the period of approximately RMB 786,000 (Period ended 30 September 2014 ("1QFY2015"): loss for approximately RMB 29,391,000) divided by the weighted average number of 798,289,318 ordinary shares of HK\$0.40 each ("Shares") (1QFY2015: 798,289,318 Shares) in issue during 1QFY2016.



**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 30 Sep 2015 RMB cents</b>	<b>As at 30 Jun 2015 RMB cents</b>	<b>As at 30 Sep 2015 RMB cents</b>	<b>As at 30 Jun 2015 RMB cents</b>
Net asset value per ordinary share	179.94	180.04	98.95	99.11
Number of ordinary shares	798,289,318	798,289,318	798,289,318	798,289,318

Net asset value per ordinary share of the Group as at 30 September 2015 was calculated based on the Group's net assets of approximately RMB 1,436,460,000 as at 30 September 2015 (30 June 2015: approximately RMB 1,437,254,000) divided by 798,289,318 Shares (30 June 2015: 798,289,318 Shares).

Net asset value per ordinary share of the Company as at 30 September 2015 was calculated based on the net assets of approximately RMB 789,922,000 as at 30 September 2015 (30 June 2015: approximately RMB 791,206,000) divided by 798,289,318 Shares (30 June 2015: 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****1QFY2016 VS 1QFY2015****Revenue**Luoyang Dukang

<u>1Q FY2016</u>			Average	<u>1Q FY2015</u>			Average
	Revenue	Volume	selling price		Revenue	Volume	selling price
	RMB'million	Tonnes	RMB/Kg		RMB'million	Tonnes	RMB/Kg
Premium series	39.0	274	142.3	Premium series	42.5	320	132.8
Regular series	125.0	4,038	31.0	Regular series	164.6	6,557	25.1
Total	164.0	4,312	38.0	Total	207.1	6,877	30.1

Siwu

<u>1Q FY2016</u>			Average	<u>1Q FY2015</u>			Average
	Revenue	Volume	selling price		Revenue	Volume	selling price
	RMB'million	Tonnes	RMB/Kg		RMB'million	Tonnes	RMB/Kg
Premium series	-	-	-	Premium series	-	-	-
Regular series	-	-	-	Regular series	0.3	10	30.0
Total	-	-	-	Total	0.3	10	30.0

Revenue for 1QFY2016 decreased by RMB 43.5 million or 21.0% to RMB 164.0 million. The decrease was mainly due to a significant decrease in revenue from both Luoyang Dukang and Siwu operations, as a result of China's current austerity measures on luxury gifts and spending. The Group focused on the branding and marketing efforts on the products of "Dukang" brand and there was no recognition of revenue for Siwu products during the period under review.

**Gross profit and margin**

The Group's gross profit increased by RMB 15.1 million or 39.6% to RMB 53.2 million.

Gross profit margin ("GPM") increased by 14.1 percentage points from 18.4% to 32.5% primarily due to a increase in the overall GPM for 「Dukang」 products.

**i. Luoyang Dukang**

Gross profit for premium and regular series increased from RMB 16.0 million and RMB 22.0 million to RMB 18.0 million and RMB 35.2 million respectively. GPM for premium series increased from 33.5% to 46.2% and GPM for regular series increased from 13.4% to 28.2%. Overall gross profit margin for 「Dukang」 products increased from 18.4% to 32.5%. The increase in gross profit margin was mainly due to the

change in product mix during 1QFY2016 and the decrease of selling price arising from discount offered to the distributors during 1QFY2015.

#### Other income

Other income decreased from RMB 5.6 million to RMB 5.2 million mainly due to the decrease in proceeds from the sale of distilled grain mixture as animal feed, which is a by-product resulting from baijiu production process.

#### Selling and distribution expenses

Selling and distribution expenses decreased by 31.4% or RMB 13.3 million to RMB 29.1 million. The Group has reduced its television commercials on China Central Television and advertising and promotional activities were concentrated in Henan Province.

#### Finance costs

Finance costs decreased by RMB 0.9 million due mainly to the decrease in the average balance of bank loans during the period compared to 1QFY2015.

#### 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 credit

The income tax credit for the period represents the effect of reversal of deferred tax liabilities for RMB 0.4m.

#### Loss for the period

Taking into account of the above mentioned, the loss attributable to the owners of the Company amounted to RMB 0.8 million for 1QFY2016 (1QFY2015: loss of RMB 29.4 million).

### **Review of Group's Financial Position**

#### **30 Sept 2015 VS 30 June 2015**

#### Prepayments, deposits and other receivables

Prepayment, deposits and other receivables decreased by RMB 39.1 million, mainly due to the settlement of the receivables from the sale of grain alcohol during the

period.

Non-current assets classified as held for sale

Pursuant to the Relocation Exercise as mentioned in the announcement released on 13 Feb 2015, the existing production facilities in Yichuan will be relocated to a new site. The land, buildings and some plant and machinery ("Residual Assets") which are incapable of being relocated will be sold. In 1QFY2016, remaining sales deposit amounting to RMB 40.0m have been received and now classified under accrued liabilities and other payables.

The balance of RMB 52.6 million represents the net book value of the Residual Assets reclassified from property, plant and equipment as well as prepaid land lease payments.

Trade payables

Trade payables decreased by RMB 4.9 million mainly due to a lower amount of raw materials and packaging materials purchased in 1QFY2016 compared to 4QFY2015. This was in line with the decrease in sales volume.

Accrued liabilities and other payables

Accrued liabilities and other payables increased by 37.6 million mainly due to the remaining sales deposit received for RMB 40.0m as above mentioned, which was offset by decrease in value-added tax payable, consumption tax payable and other taxes and levies resulting from the decrease in sales during 1QFY2016.

Cash and cash equivalents

Cash and cash equivalents increased by RMB 92.7 million from RMB 403.0 million as at 30 June 2015 to RMB 495.7 million as at 30 September 2015. This was mainly due to net cash of RMB 96.2 million generated from operating activities, net cash of RMB 1.0 million used in investing activities and net cash of RMB 2.4 million used in financing activities during 1QFY2016.

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

Not applicable.

**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.**

Some of the top baijiu producers have witnessed an improvement in their financial performance, reflecting gradual recovery in the baijiu market after a long period of adjustment. However, the recovery is not experienced by every baijiu producers as some are still marred by internal factors such as weak sales mix and sales model.

Baijiu has been the mainstay in the Chinese daily lifestyle and the national spirit of China for many centuries. Therefore, the spirit of drinking baijiu has been rooted in their cultures and baijiu will not be replaced easily by other alternatives. According to the State Statistical Bureau, sales of baijiu recorded compound annual growth rate of 5.6% for the past 4 years, significantly more than dairy products and beer even during the period of adjustment. This has clearly showed that the demand for baijiu is intact and has been growing consistently. This will eventually contribute to the recovery of the baijiu market.

In view of the current market situation, the Group will make concerted effort in branding and marketing on the Dukang brand as well as streamlining its product offerings. In addition, the Group will also streamline current distributors by replacing those non-performing distributors with efficient distributors who share the same ideology with 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.

**BY ORDER OF THE BOARD**

**DUKANG DISTILLERS HOLDINGS LIMITED**

**ZHOU TAO**

**CHAIRMAN**

**14 November 2015**

**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 2015 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**

**14 November 2015**