

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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) %	Nine months ended		Increase/ (Decrease) %
	31 Mar 2018 Unaudited RMB'000	31 Mar 2017 Unaudited RMB'000		31 Mar 2018 Unaudited RMB'000	31 Mar 2017 Unaudited RMB'000	
Revenue	55,098	49,416	11.5	99,043	410,151	(75.9)
Cost of sales	(28,967)	(29,415)	(1.5)	(58,912)	(276,984)	(78.7)
Gross profit	26,131	20,001	30.6	40,131	133,167	(69.9)
Other income	104	352	(70.5)	352	1,543	(77.2)
Selling and distribution expenses	(4,865)	(22,376)	(78.3)	(17,486)	(94,464)	(81.5)
Administrative expenses	(19,975)	(22,085)	(9.6)	(59,255)	(67,647)	(12.4)
Operating profit/(loss)	1,395	(24,108)	(105.8)	(36,258)	(27,401)	32.3
Finance costs	(1,439)	(1,244)	15.7	(5,126)	(4,351)	17.8
Share of profit of an associate	396	355	11.5	614	2,129	(71.2)
Profit/(loss) before income tax	352	(24,997)	(101.4)	(40,770)	(29,623)	37.6
Income tax expense	(1,008)	(120)	740.0	(561)	(4,426)	(87.3)
Loss for the period, attributable to owners of the Company	(656)	(25,117)	(97.4)	(41,331)	(34,049)	21.4
Other comprehensive income for the period						
Items that may be reclassified subsequently to profit or loss:						
Exchange gain/(loss) on translation of financial statements of foreign operations	6,561	(3,603)	(282.1)	8,497	(3,588)	(336.8)
Total comprehensive income for the period, attributable to owners of the Company	5,905	(28,720)	(120.6)	(32,834)	(37,637)	(12.8)

Notes:

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

	Group			Group		
	Three months ended		Increase/ (Decrease)	Nine months ended		Increase/ (Decrease)
	31 Mar 2018	31 Mar 2017		31 Mar 2018	31 Mar 2017	
	Unaudited	Unaudited		Unaudited	Unaudited	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest income	104	239	(56.5)	352	1,096	(67.9)
Interest expenses	(1,439)	(1,244)	15.7	(5,126)	(4,351)	17.8
Depreciation of property, plant and equipment	(6,572)	(5,750)	14.3	(19,716)	(16,780)	17.5
Amortisation of prepaid land lease payments	(754)	(730)	3.3	(2,262)	(2,143)	5.6

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
	31 Mar 2018	30 Jun 2017	31 Mar 2018	30 Jun 2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	269,923	292,518
Interest in an associate	80,888	80,274	-	-
Property, plant and equipment	354,623	374,339	-	-
Prepaid land lease payments	138,277	140,539	-	-
Intangible assets	1,280	1,280	-	-
	575,068	596,432	269,923	292,518
Current assets				
Inventories	753,289	770,177	-	-
Amounts due from subsidiaries	-	-	498,210	548,094
Prepayments, deposits and other receivables	86,864	91,388	-	-
Cash and cash equivalents	191,593	190,213	14	16
	1,031,746	1,051,778	498,224	548,110
Current liabilities				
Trade payables	113,233	124,535	-	-
Amount due to an associate	5,468	2,962	-	-
Accrued liabilities and other payables	83,392	84,106	5,192	5,241
Bank and other loans, secured	115,000	113,000	-	-
Provision for income tax	1,240	1,221	-	-
	318,333	325,824	5,192	5,241
Net current assets	713,413	725,954	493,032	542,869
Total assets less current liabilities	1,288,481	1,322,386	762,955	835,387
Non-current liabilities				
Deferred tax liabilities	10,805	11,876	-	-
	10,805	11,876	-	-
Net assets	1,277,676	1,310,510	762,955	835,387
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	998,177	1,031,011	483,456	555,888
Total equity	1,277,676	1,310,510	762,955	835,387

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

As at 31 March 2018		As at 30 June 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
115,000	-	113,000	-

Amount repayable after one year:

As at 31 March 2018		As at 30 June 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral:

As at 31 March 2018, the Group's bank and other loans amounting to RMB 115.0 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		Group	
	Three months ended		Nine months ended	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
profit/(loss) before income tax	352	(24,997)	(40,770)	(29,623)
Adjustments for:				
Interest income on financial assets stated at amortised cost	(104)	(239)	(352)	(1,096)
Interest expenses	1,439	1,244	5,126	4,351
Depreciation of property, plant and equipment	6,572	5,750	19,716	16,780
Amortisation of prepaid land lease payments	754	730	2,262	2,143
Share of profit of an associate	(396)	(355)	(614)	(2,129)
Operating profit/(loss) before working capital changes	8,617	(17,867)	(14,632)	(9,574)
Decrease/(increase) in inventories	7,966	5,355	16,888	(110,532)
Increase/(decrease) in prepayments, deposits and other receivables	66	(66)	4,524	324
Increase/(decrease) in trade payables	11,650	(209,277)	(11,302)	(113,368)
Decrease in accrued liabilities and other payables	(1,277)	(19,155)	(714)	(114,300)
Increase/(decrease) in amount due to an associate	1,007	(4,324)	2,506	(27,915)
Cash generated from/(used in) operations	28,029	(245,334)	(2,730)	(375,365)
Income taxes paid	(184)	(1,870)	(1,613)	(8,067)
Net cash generated from/(used in) operating activities	27,845	(247,204)	(4,343)	(383,432)
Cash flows from investing activities				
Dividend from an associate	-	-	-	14,700
Interest received	104	239	352	1,096
Net cash generated from investing activities	104	239	352	15,796
Cash flows from financing activities				
Proceeds from bank loans	115,000	-	115,000	113,000
Repayment of bank loans	-	-	(113,000)	(135,000)
Interest paid	(1,439)	(1,244)	(5,126)	(4,351)
Net cash generated from/(used in) financing activities	113,561	(1,244)	(3,126)	(26,351)
Net increase/(decrease) in cash and cash equivalents	141,510	(248,209)	(7,117)	(393,987)
Cash and cash equivalents at beginning of period	43,522	449,864	190,213	595,627
Effect of foreign exchange rate changes	6,561	(3,603)	8,497	(3,588)
Cash and cash equivalents at end of period	191,593	198,052	191,593	198,052
Analysis of balances of cash and cash equivalents				
Cash at banks and in hand	191,593	198,052	191,593	198,052

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 January 2017	279,499	656,811	(150,101)	162,848	1,544	464,769	1,415,370
Loss for the period	-	-	-	-	-	(25,117)	(25,117)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(3,603)	-	(3,603)
Total comprehensive income for the period	-	-	-	-	(3,603)	(25,117)	(28,720)
Balance as at 31 March 2017	279,499	656,811	(150,101)	162,848	(2,059)	439,652	1,386,650
Balance as at 1 July 2016	279,499	656,811	(150,101)	162,848	1,529	473,701	1,424,287
Loss for the period	-	-	-	-	-	(34,049)	(34,049)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(3,588)	-	(3,588)
Total comprehensive income for the period	-	-	-	-	(3,588)	(34,049)	(37,637)
Balance as at 31 March 2017	279,499	656,811	(150,101)	162,848	(2,059)	439,652	1,386,650
Balance as at 1 January 2018	279,499	656,811	(150,101)	168,846	2,129	314,587	1,271,771
Loss for the period	-	-	-	-	-	(656)	(656)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	6,561	-	6,561
Total comprehensive income for the period	-	-	-	-	6,561	(656)	5,905
Balance as at 31 March 2018	279,499	656,811	(150,101)	168,846	8,690	313,931	1,277,676
Balance as at 1 July 2017	279,499	656,811	(150,101)	168,846	193	355,262	1,310,510
Loss for the period	-	-	-	-	-	(41,331)	(41,331)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	8,497	-	8,497
Total comprehensive income for the period	-	-	-	-	8,497	(41,331)	(32,834)
Balance as at 31 March 2018	279,499	656,811	(150,101)	168,846	8,690	313,931	1,277,676

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 January 2017	279,499	656,811	120,523	10,889	(216,455)	851,267
Loss for the period	-	-	-	-	(2,184)	(2,184)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(5,384)	-	(5,384)
Total comprehensive income for the period	-	-	-	(5,384)	(2,184)	(7,568)
Balance as at 31 March 2017	279,499	656,811	120,523	5,505	(218,639)	843,699
Balance as at 1 July 2016	279,499	656,811	120,523	(13,181)	(212,566)	831,086
Loss for the period	-	-	-	-	(6,073)	(6,073)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	18,686	-	18,686
Total comprehensive income for the period	-	-	-	18,686	(6,073)	12,613
Balance as at 31 March 2017	279,499	656,811	120,523	5,505	(218,639)	843,699
Balance as at 1 January 2018	279,499	656,811	120,523	(24,135)	(224,684)	808,014
Loss for the period	-	-	-	-	(2,971)	(2,971)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(42,088)	-	(42,088)
Total comprehensive income for the period	-	-	-	(42,088)	(2,971)	(45,059)
Balance as at 31 March 2018	279,499	656,811	120,523	(66,223)	(227,655)	762,955
Balance as at 1 July 2017	279,499	656,811	120,523	(1,533)	(219,913)	835,387
Loss for the period	-	-	-	-	(7,742)	(7,742)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(64,690)	-	(64,690)
Total comprehensive income for the period	-	-	-	(64,690)	(7,742)	(72,432)
Balance as at 31 March 2018	279,499	656,811	120,523	(66,223)	(227,655)	762,955

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 shares held as treasury shares as at 31 March 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	
	31 Mar 2018	30 Jun 2017
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 2017, 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 2017 ("FY2017"). The adoption of these revised IFRSs for the current reporting period ended 31 March 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	
	31 Mar 2018	31 Mar 2017
	Unaudited	Unaudited
	RMB	RMB
Basic	(0.01)	(0.31)
Diluted	N/A	N/A

Basic loss per share for the period ended 31 March 2018 ("3QFY2018") was calculated based on the Group's loss for the period of approximately RMB 656,000 (Period ended 31 March 2017 ("3QFY2017"): loss for approximately RMB 25,117,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each ("Shares") (3QFY2017: 79,828,927 Shares) in issue during 3QFY2018.

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 31 Mar 2018 RMB	As at 30 Jun 2017 RMB	As at 31 Mar 2018 RMB	As at 30 Jun 2017 RMB
Net asset value per ordinary share	16.01	16.42	9.56	10.46
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 March 2018 was calculated based on the Group's net assets of approximately RMB 1,277,676,000 as at 31 March 2018 (30 June 2017: approximately RMB 1,310,510,000) divided by 79,828,927 Shares (30 June 2017: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 31 March 2018 was calculated based on the net assets of approximately RMB 762,955,000 as at 31 March 2018 (30 June 2017: approximately RMB 835,387,000) divided by 79,828,927 Shares (30 June 2017: 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**3QFY2018 VS 3QFY2017****Revenue****Luoyang Dukang**

<u>3Q FY2018</u>				<u>3Q FY2017</u>			
	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg		Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	41.8	274	152.6	Premium series	29.8	213	139.9
Regular series	13.3	379	35.1	Regular series	19.6	705	27.8
Total	55.1	653	84.4	Total	49.4	918	53.8

Group revenue for 3QFY2018 increased slightly by RMB 5.7 million or 11.5% to RMB 55.1 million, which was mainly due to the change in product mix to higher proportion of premium series during the period.

Gross profit and margin

The Group's gross profit increased significantly by RMB 6.1 million or 30.6% to RMB 26.1 million, which was in line with the increase in revenue.

Gross profit for premium series increased from RMB 14.9 million to RMB 22.0 million, while gross profit for regular series decreased from RMB 5.1 million to RMB 4.1 million. GPM for premium series increased from 49.9% to 52.7% and GPM for regular series increased from 26.1% to 30.7%. Overall gross profit margin for 「Dukang」 products increased from 40.5% to 47.4%. The increase in gross profit margin was mainly due to the change in product mix during 3QFY2018.

Other income

Other income decreased from RMB 0.4 million to RMB 0.1 million mainly due to a decrease in interest income during the period.

Selling and distribution expenses

As a result of a drastic cut in advertising expenses, the Group's selling and distribution expenses decreased by 78.3% or RMB 17.5 million to RMB 4.9 million, mainly due to a decrease in TV and radio commercial broadcast on channels in Henan Province by RMB 13.4 million, and a decrease in bus and rooftop advertising in major Henan Province cities by RMB 3.2 million.

Administrative expenses

Administrative expenses decreased by RMB 2.1 million to RMB 20.0 million as a result of the Group's cost-saving efforts during this challenging time.

Finance costs

Finance costs increased by RMB 0.2 million mainly due to an increase in the average balance of bank loans during the period compared to 3QFY2017.

Share of profit of an associate

Share of profit of an associate increased as a result of increase in license fee income of the Group's associate arising from the increase in sale of the products under the "Dukang" brand.

Income tax expense

The provision for PRC enterprise income tax is calculated based on the statutory income tax rate as determined in accordance with the relevant PRC income tax rules and regulations for the financial years presented. The applicable rate for all PRC subsidiaries was 25%.

Loss for the period

Taking into account of the above mentioned factors, the loss attributable to the owners of the Company amounted to RMB0.7 million for 3QFY2018 (3QFY2017: loss of RMB 25.1 million).

Review of Group's Financial Position as at 31 March 2018Property, plant and equipment

Property, plant and equipment decreased by RMB 19.7 million, mainly due to the depreciation charges during the period.

Inventories

Inventories decreased by RMB 16.9 million, mainly due to the drop in the level of finished goods.

Cash and cash equivalents

The cash and cash equivalents of RMB 191.6 million remains approximately the same compared to RMB 190.2 million as at 30 June 2017.

Amount due to an associate

Amount due to an associate increased by RMB 2.5 million, mainly due to the accruals of license fee payable to the associate during the period.

Trade payables

Trade payables decreased by RMB 11.3 million, mainly due to lower amount of raw materials purchased in 3QFY2018 compared to 4QFY2017.

Bank and other loans, secured

The balance increased by RMB 2.0 million to RMB 115.0 million as at 31 March 2018, due to new bank borrowing raised amounting to RMB 115.0 million, but offset by loan repayment of RMB 113.0 million during the period.

Accrued liabilities and other payables

The accrued liabilities and other payables of RMB 83.4 million remains approximately the same compared to RMB 84.1 million as at 30 June 2017.

Statement of Cash Flows for the period ended 31 March 2018

RMB 27.8 million generated from operating activities for 3QFY2018 was mainly the result of:

- a decrease in inventories of RMB 8.0 million;
- an increase in trade payables of RMB 11.7 million; and
- an operating profit before changes in working capital of RMB 8.6 million

RMB 0.1 million was generated from investing activities during 3QFY2018.

RMB 113.6 million generated from financing activities during 3QFY2018 was mainly contributed by the proceeds from new bank borrowings.

As a result of the above and taking into the effect of changes in exchange rate, cash and cash equivalents increased by RMB 148.1 million to RMB 191.6 million, up from RMB 43.5 million as at 31 December 2017.

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

The 3QFY2018 results are in line with the information described in paragraph 10 of the

2QFY2018 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.

During the period under review, there was an uplift in the Group's sales and margins due to higher sales of Premium Series baijiu during the festive season and change in product mix.

The Group anticipates sales to be subdued in the next few months due to seasonality as consumption of baijiu gradually tapers off when summer approaches. In addition, the baijiu market in China continues to be challenging for second- and third-tier baijiu producers.

The Group will continue to streamline its operations and review its expenditure regularly to maximise productivity and efficiency.

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
15 May 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 third quarter ended 31 March 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**

15 May 2018