

# Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

## SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2019

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) %	Half year ended		Increase/ (Decrease) %
	31 Dec 2019 Unaudited RMB'000	31 Dec 2018 Unaudited RMB'000		31 Dec 2019 Unaudited RMB'000	31 Dec 2018 Unaudited RMB'000	
Revenue	15,787	19,955	(20.9)	40,455	39,680	2.0
Cost of sales	(10,245)	(11,065)	(7.4)	(24,680)	(25,087)	(1.6)
<b>Gross profit</b>	5,542	8,890	(37.7)	15,775	14,593	8.1
Other income	1,096	607	80.6	1,212	726	66.9
Selling and distribution expenses	(9,604)	(7,708)	24.6	(21,502)	(13,179)	63.2
Administrative expenses	(13,107)	(16,670)	(21.4)	(27,933)	(40,404)	(30.9)
<b>Operating loss</b>	(16,073)	(14,881)	8.0	(32,448)	(38,264)	(15.2)
Finance costs	(1,897)	(1,896)	0.1	(3,815)	(3,814)	0.0
Share of profit of an associate	96	120	(20.0)	171	180	(5.0)
<b>Loss before income tax</b>	(17,874)	(16,657)	7.3	(36,092)	(41,898)	(13.9)
Income tax (expense)/credit	(150)	139	(207.9)	264	542	(51.3)
<b>Loss for the period, attributable to the owners of the Company</b>	(18,024)	(16,518)	9.1	(35,828)	(41,356)	(13.4)
<b>Other comprehensive income for the period</b> <b>Item that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translation of financial statements of foreign operations	(3,251)	(8)	40,537.5	(5,072)	(2,261)	124.3
<b>Total comprehensive income for the period, attributable to the owners of the Company</b>	(21,275)	(16,526)	28.7	(40,900)	(43,617)	(6.2)

## Notes:

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

	Group			Group		
	Three months ended		Increase/ (Decrease) %	Half year ended		Increase/ (Decrease) %
	31 Dec 2019 Unaudited RMB'000	31 Dec 2018 Unaudited RMB'000		31 Dec 2019 Unaudited RMB'000	31 Dec 2018 Unaudited RMB'000	
Interest income	96	107	(10.3)	212	226	(6.2)
Interest expenses	(1,897)	(1,896)	0.1	(3,815)	(3,814)	0.0
Depreciation of property, plant and equipment	(6,490)	(6,780)	(4.3)	(12,978)	(13,560)	(4.3)
Amortisation of prepaid land lease payments	(994)	(993)	0.1	(1,988)	(1,987)	0.1

**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 2019 RMB'000	Audited As at 30 Jun 2019 RMB'000	Unaudited As at 31 Dec 2019 RMB'000	Audited As at 30 Jun 2019 RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Interests in subsidiaries	-	-	793,606	793,606
Interest in an associate	13,842	13,671	-	-
Property, plant and equipment	257,531	270,509	-	-
Prepaid land lease payments	125,108	132,589	-	-
	396,481	416,769	793,606	793,606
<b>Current assets</b>				
Inventories	721,435	709,592	-	-
Amounts due from subsidiaries	-	-	9,284	11,486
Prepayments, deposits and other receivables	37,701	39,682	-	-
Cash and cash equivalents	107,483	156,501	11	10
	866,619	905,775	9,295	11,496
<b>Current liabilities</b>				
Trade payables	40,370	55,987	-	-
Amount due to an associate	7,543	7,170	-	-
Accrued liabilities and other payables	111,553	114,325	6,801	5,836
Bank loans, secured	115,000	115,000	-	-
Provision for income tax	116	466	-	-
	274,582	292,948	6,801	5,836
<b>Net current assets</b>	592,037	612,827	2,494	5,660
<b>Total assets less current liabilities</b>	988,518	1,029,596	796,100	799,266
<b>Non-current liabilities</b>				
Deferred tax liabilities	11,128	11,306	-	-
	11,128	11,306	-	-
<b>Net assets</b>	977,390	1,018,290	796,100	799,266
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	279,499	279,499	279,499	279,499
Reserves	697,891	738,791	516,601	519,767
<b>Total equity</b>	977,390	1,018,290	796,100	799,266

**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 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
115,000	-	115,000	-

**Details of any collateral:**

As at 31 December 2019, 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		Group	
	Three months ended		Half year ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Loss before income tax	(17,874)	(16,657)	(36,092)	(41,898)
Adjustments for:				
Bank interest income	(96)	(107)	(212)	(226)
Interest expenses	1,897	1,896	3,815	3,814
Depreciation of property, plant and equipment	6,490	6,780	12,978	13,560
Amortisation of prepaid land lease payments	994	993	1,988	1,987
Share of profit of an associate	(96)	(120)	(171)	(180)
Operating loss before working capital changes	(8,685)	(7,215)	(17,694)	(22,943)
(Increase)/decrease in inventories	(6,092)	(1,937)	(11,843)	17,894
Decrease in prepayments, deposits and other receivables	73	409	1,981	1,386
Increase/(decrease) in trade payables	7,053	2,575	(10,124)	(34,040)
Increase/(decrease) in accrued liabilities and other payables	437	(5,148)	(6,156)	(2,891)
Increase/(decrease) in amount due to an associate	3	(9)	373	281
Cash used in operations	(7,211)	(11,325)	(43,463)	(40,313)
Income taxes paid	(198)	(200)	(264)	(459)
<b>Net cash used in from operating activities</b>	<b>(7,409)</b>	<b>(11,525)</b>	<b>(43,727)</b>	<b>(40,772)</b>
<b>Cash flows from investing activities</b>				
Interest received	96	107	212	226
<b>Net cash generated from investing activities</b>	<b>96</b>	<b>107</b>	<b>212</b>	<b>226</b>
<b>Cash flows from financing activities</b>				
Advance from a director	844	3,414	3,384	5,311
Interest paid	(1,897)	(1,896)	(3,815)	(3,814)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,053)</b>	<b>1,518</b>	<b>(431)</b>	<b>1,497</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,366)</b>	<b>(9,900)</b>	<b>(43,946)</b>	<b>(39,049)</b>
Cash and cash equivalents at beginning of period	119,100	143,637	156,501	175,039
Effect of foreign exchange rate changes	(3,251)	(8)	(5,072)	(2,261)
<b>Cash and cash equivalents at end of period</b>	<b>107,483</b>	<b>133,729</b>	<b>107,483</b>	<b>133,729</b>
<b>Analysis of balances of cash and cash equivalents</b>				
<b>Cash at banks and in hand</b>	<b>107,483</b>	<b>133,729</b>	<b>107,483</b>	<b>133,729</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 October 2018</b>	279,499	656,811	(150,101)	169,567	(1,486)	107,669	1,061,959
Loss for the period	-	-	-	-	-	(16,518)	(16,518)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(8)	-	(8)
<b>Total comprehensive income for the period</b>	-	-	-	-	(8)	(16,518)	(16,526)
<b>Balance as at 31 December 2018</b>	279,499	656,811	(150,101)	169,567	(1,494)	91,151	1,045,433
<b>Balance as at 1 July 2018</b>	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the period	-	-	-	-	-	(41,356)	(41,356)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(2,261)	-	(2,261)
<b>Total comprehensive income for the period</b>	-	-	-	-	(2,261)	(41,356)	(43,617)
<b>Balance as at 31 December 2018</b>	279,499	656,811	(150,101)	169,567	(1,494)	91,151	1,045,433
<b>Balance as at 1 October 2019</b>	279,499	656,811	(150,101)	169,567	(2,461)	45,350	998,665
Loss for the period	-	-	-	-	-	(18,024)	(18,024)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(3,251)	-	(3,251)
<b>Total comprehensive income for the period</b>	-	-	-	-	(3,251)	(18,024)	(21,275)
<b>Balance as at 31 December 2019</b>	279,499	656,811	(150,101)	169,567	(5,712)	27,326	977,390
<b>Balance as at 1 July 2019</b>	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)
<b>Total comprehensive income for the period</b>	-	-	-	-	(5,072)	(35,828)	(40,900)
<b>Balance as at 31 December 2019</b>	279,499	656,811	(150,101)	169,567	(5,712)	27,326	977,390

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 as at 1 October 2018</b>	279,499	656,811	120,523	6,921	(227,661)	836,093
Loss for the period	-	-	-	-	(2,244)	(2,244)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	457	-	457
<b>Total comprehensive income for the period</b>	-	-	-	457	(2,244)	(1,787)
<b>Balance as at 31 December 2018</b>	279,499	656,811	120,523	7,378	(229,905)	834,306
<b>Balance as at 1 July 2018</b>	279,499	656,811	120,523	(25,507)	(225,777)	805,549
Loss for the period	-	-	-	-	(4,128)	(4,128)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	32,885	-	32,885
<b>Total comprehensive income for the period</b>	-	-	-	32,885	(4,128)	28,757
<b>Balance as at 31 December 2018</b>	279,499	656,811	120,523	7,378	(229,905)	834,306
<b>Balance as at 1 October 2019</b>	279,499	656,811	120,523	(24,890)	(233,422)	798,521
Loss for the period	-	-	-	-	(2,341)	(2,341)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(80)	-	(80)
<b>Total comprehensive income for the period</b>	-	-	-	(80)	(2,341)	(2,421)
<b>Balance as at 31 December 2019</b>	279,499	656,811	120,523	(24,970)	(235,763)	796,100
<b>Balance as at 1 July 2019</b>	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
<b>Total comprehensive income for the period</b>	-	-	-	111	(3,277)	(3,166)
<b>Balance as at 31 December 2019</b>	279,499	656,811	120,523	(24,970)	(235,763)	796,100

**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, treasury shares and subsidiary holdings as at 31 December 2019.

**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 2019	30 Jun 2019
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 2019, 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 2019. The adoption of these revised IFRSs for the current reporting period ended 31 December 2019 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>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB</b>	<b>RMB</b>
<b>Basic</b>	(0.23)	(0.21)
<b>Diluted</b>	N/A	N/A

Basic loss per share for the period ended 31 December 2019 (“2QFY2020”) was calculated based on the Group’s loss for the period of approximately RMB18,024,000 (Period ended 31 December 2018 (“2QFY2019”): approximately RMB16,518,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each (“Shares”) (2QFY2019: 79,828,927 Shares) in issue during 2QFY2020.

**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</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Net asset value per ordinary share	12.24	12.76	9.97	10.01
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 2019 was calculated based on the Group’s net assets of approximately RMB977,390,000 as at 31 December 2019 (30 June 2019: approximately RMB1,018,290,000) divided by 79,828,927 Shares (30 June 2019: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 31 December 2019 was calculated based on the net assets of approximately RMB796,100,000 as at 31 December 2019 (30 June 2019: approximately RMB799,266,000) divided by 79,828,927 Shares (30 June 2019: 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**

**2QFY2020 vs 2QFY2019**

**Revenue**

<u>2Q FY2020</u>				<u>2Q FY2019</u>			
	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg		Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	11.3	74	152.7	Premium series	15.1	115	131.3
Regular series	4.5	106	42.5	Regular series	4.9	102	48.0
Total	15.8	180	87.8	Total	20.0	217	92.2

Group revenue for 2QFY2020 decreased by RMB4.2 million or 20.9% to RMB15.8 million, mainly due to customer attrition for the intensified liquor market competition in the Henan province during the period.

**Gross profit and margin**

The Group's gross profit decreased by RMB3.3 million or 37.7% to RMB5.5 million.

Gross profit for premium series decreased from RMB7.8 million to RMB4.6 million, and gross profit for regular series decreased from RMB1.1 million to RMB0.9 million. Gross Profit Margin ("GPM") for premium series decreased from 51.7% to 40.6% and GPM for regular series decreased from 22.5% to 21.3%. Overall GPM decreased from 44.6% to 35.1%. The decrease in GPM was mainly due to the change in product mix between the two periods.

Other income

Other income increased from 0.6 million to 1.1 million mainly due to increase in government grants received during the period.

Selling and distribution expenses

Selling and distribution expenses increased by 24.6% or RMB1.9 million to RMB9.6 million, mainly due to an increase in TV and radio commercial broadcast on channels in Henan Province by RMB0.4 million and an increase in bus, rooftop and billboard advertising by RMB1.2 million.

Administrative expenses

Administrative expenses decreased by RMB3.6 million to RMB13.1 million as a result of the Group's cost-saving efforts during this challenging time.

Share of profit of an associate

Share of profit of an associate decreased as a result of an 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 RMB18.0 million for 2QFY2020 (2QFY2019: loss of RMB16.5 million).

**Review of Group's Financial Position as at 31 December 2019**Property, plant and equipment

Property, plant and equipment decreased by RMB13.0 million, mainly due to the depreciation charges during the period.

Trade payables

Trade payables decreased by RMB15.6 million, mainly due to a significant lower amount of grain alcohol and packaging materials purchased in 2QFY2020 compared to 4QFY2019.

Amount due to an associate

Amount due to an associate increased by RMB0.4 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 2019

RMB7.4 million used in operating activities for 2QFY2020 was mainly the result of:

- (1) an operating loss before changes in working capital of RMB8.7 million;
  - (2) an increase in inventories of RMB6.1 million;
  - (3) an increase in prepayments, deposits and other receivables of RMB0.7 million;
  - (4) income taxes paid of RMB0.2 million,
- which was offset by:
- (1) an increase in trade payables of RMB7.8 million; and
  - (2) an increase in accrued liabilities and other payables of RMB0.4 million;

RMB0.1 million was generated from investing activities during the period ended 31 December 2019 due to interest received during the period.

RMB1.1 million was used in financing activities during the period ended 31 December 2019 mainly due to payment of interest for RMB1.9 million, offset by an advance of RMB0.8 million from a director 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 RMB11.6 million to RMB107.5 million, down from RMB119.1 million as at 30 September 2019.

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

The 2QFY2020 results are in line with the information disclosed in paragraph 10 of the 1QFY2020 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.**

Despite the easing in trade tensions between the United States of America and China with the signing of the first phase of a trade agreement that is supposed to take effect in mid-February, the unfortunate outbreak of the COVID-19 since December 2019 has dampened the typical peak sales season of the Group's baijiu products. The repercussions of the outbreak could further setback China's slowing economy as well as weaken consumer spending on discretionary consumer goods like baijiu.

The COVID-19 outbreak is but the latest in a series of challenges faced by the Group. It is currently difficult to ascertain the impact it has on the financial performance of the Group.

The proposed transactions to enter into the kiwifruit cultivation and processing industry, as announced in the Company's previous quarterly results announcement dated 13 November 2019, is still under review by Singapore Exchange.

## **11. Dividend**

### **(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

No.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

### **(c) Date Payable**

Not applicable.

### **(d) Books Closure Date**

Not applicable.

## **12. If no dividend has been declared/recommended, a statement to that effect 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  
13 February 2020**

**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 second quarter ended 31 December 2019 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 February 2020**