

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

FULL YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1. (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Year ended		Increase/ (Decrease) %
	30 Jun 2020 Unaudited RMB'000	30 Jun 2019 Audited RMB'000	
Revenue	113,331	139,648	(18.8)
Cost of sales	(69,443)	(91,232)	(23.9)
Gross profit	43,888	48,416	(9.4)
Other income	1,936	5,932	(67.4)
Selling and distribution expenses	(40,538)	(44,346)	(8.6)
Administrative expenses	(68,936)	(70,879)	(2.7)
Other expenses	(858)	(858)	-
Impairment loss on interest in an associate	(3,172)	(819)	287.3
Impairment loss on intangible assets	-	(280)	(100.0)
Operating loss	(67,680)	(62,834)	7.7
Finance costs	(7,629)	(7,108)	7.3
Share of profit of an associate	624	770	(19.0)
Loss before income tax	(74,685)	(69,172)	8.0
Income tax credit/(expense)	751	(181)	(514.9)
Loss for the year, attributable to owners of the Parent	(73,934)	(69,353)	6.6
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	1,381	(1,407)	(198.2)
Total comprehensive income for the year, attributable to owners of the Parent	(72,553)	(70,760)	2.5

Notes:

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

	Group		Increase/ (Decrease) %
	Year ended 30 Jun 2020 Unaudited RMB'000	30 Jun 2019 Audited RMB'000	
Interest income	376	434	(13.4)
Interest expenses	(7,629)	(7,108)	7.3
Depreciation of property, plant and equipment	(29,674)	(25,951)	14.3
Amortisation of prepaid land lease payments	-	(3,975)	(100.0)
Impairment loss on interest in an associate	(3,172)	(819)	287.3
Property, plant and equipment written off	(46)	-	N.M.

N.M. Not meaningful

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

	GROUP		COMPANY	
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	793,606	793,606
Interest in an associate	11,123	13,671	-	-
Property, plant and equipment	373,842	270,509	-	-
Prepaid land lease payments	-	132,589	-	-
Prepayments	731	-	-	-
Intangible assets	-	-	-	-
	385,696	416,769	793,606	793,606
Current assets				
Inventories	751,136	709,592	-	-
Amount due from a subsidiary	-	-	4,560	11,486
Prepayments, deposits and other receivables	16,682	39,682	-	-
Income tax recoverable	466	-	-	-
Cash and cash equivalents	121,877	156,501	8	10
	890,161	905,775	4,568	11,496
Current liabilities				
Trade payables	85,072	55,987	-	-
Amount due to an associate	8,887	7,170	-	-
Accrued liabilities and other payables	110,140	114,325	6,448	5,836
Bank loans, secured	115,000	115,000	-	-
Provision for income tax	-	466	-	-
	319,099	292,948	6,448	5,836
Net current assets/(liabilities)	571,062	612,827	(1,880)	5,660
Total assets less current liabilities	956,758	1,029,596	791,726	799,266
Non-current liabilities				
Deferred tax liabilities	11,021	11,306	-	-
	11,021	11,306	-	-
Net assets	945,737	1,018,290	791,726	799,266
EQUITY				
Equity attributable to owners of the Parent				
Share capital	279,499	279,499	279,499	279,499
Reserves	666,238	738,791	512,227	519,767
Total equity	945,737	1,018,290	791,726	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 30 June 2020		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 30 June 2020, the Group's bank loans amounting to RMB115.0 million were secured by charges over the Group's existing land use rights, leasehold buildings and guaranteed by a director.

1. (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Year ended	
	30 Jun 2020	30 Jun 2019
	Unaudited	Audited
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(74,685)	(69,172)
Adjustments for:		
Bank interest income	(376)	(434)
Interest expenses	7,629	7,108
Depreciation of property, plant and equipment	29,674	25,951
Amortisation of prepaid land lease payments	-	3,975
Property, plant and equipment written off	46	-
Impairment loss on interest in an associate	3,172	819
Impairment loss on intangible assets	-	280
Share of profit of an associate	(624)	(770)
Operating loss before working capital changes	(35,164)	(32,243)
(Increase)/decrease in inventories	(41,544)	5,408
Decrease in prepayments, deposits and other receivables	22,991	5,017
Increase/(decrease) in trade payables	29,085	(4,927)
Increase in accrued liabilities and other payables	54	6,838
Increase in amount due to an associate	1,717	2,064
Cash used in operations	(22,861)	(17,843)
Income taxes paid	(466)	(660)
Net cash used in operating activities	(23,327)	(18,503)
Cash flows from investing activities		
Purchases of property, plant and equipment	(464)	(1,801)
Prepayment for lease payments	(731)	-
Interest received	376	434
Net cash used in investing activities	(819)	(1,367)
Cash flows from financing activities		
Proceeds from bank loans	115,000	115,000
Repayments of bank loans	(115,000)	(115,000)
Interest paid	(7,629)	(7,108)
(Repayment to)/advance from a director	(2,864)	8,458
Net cash (used in)/generated from financing activities	(10,493)	1,350
Net decrease in cash and cash equivalents	(34,639)	(18,520)
Cash and cash equivalents at beginning of year	156,501	175,039
Effect of foreign exchange rate changes	15	(18)
Cash and cash equivalents at end of year	121,877	156,501

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	Share premium	Merger reserve	Statutory reserves	Translation reserve	Retained profits/ (Accumulated losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 July 2018	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the year	-	-	-	-	-	(69,353)	(69,353)
Other comprehensive income	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	(1,407)	-	(1,407)
Total comprehensive income for the year	-	-	-	-	(1,407)	(69,353)	(70,760)
Balance as at 30 June 2019 and 1 July 2019	279,499	656,811	(150,101)	169,567	(640)	63,154	1,018,290
Loss for the year	-	-	-	-	-	(73,934)	(73,934)
Other comprehensive income	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	1,381	-	1,381
Total comprehensive income for the year	-	-	-	-	1,381	(73,934)	(72,553)
Balance as at 30 June 2020	279,499	656,811	(150,101)	169,567	741	(10,780)	945,737

Company	Share capital	Share premium	Contributed surplus	Translation reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2018	279,499	656,811	120,523	(25,507)	(225,777)	805,549
Loss for the year	-	-	-	-	(6,709)	(6,709)
Other comprehensive income	-	-	-	-	-	-
Exchange differences on translation of financial statements	-	-	-	426	-	426
Total comprehensive income for the year	-	-	-	426	(6,709)	(6,283)
Balance as at 30 June 2019 and 1 July 2019	279,499	656,811	120,523	(25,081)	(232,486)	799,266
Loss for the year	-	-	-	-	(7,667)	(7,667)
Other comprehensive income	-	-	-	-	-	-
Exchange differences on translation of financial statements	-	-	-	127	-	127
Total comprehensive income for the year	-	-	-	127	(7,667)	(7,540)
Balance as at 30 June 2020	279,499	656,811	120,523	(24,954)	(240,153)	791,726

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

There was no change in the Company's share capital during the current financial period reported on. The Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020.

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

	As at	
	30 Jun 2020	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 modifications or emphasis of a matter)

Not applicable.

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

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

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Item 5 below, 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.

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.

The Group has adopted the applicable new and amended IFRSs that are effective during the period. The impact of the adoption of IFRS 16 Leases ("IFRS 16") have been summarised as below. The adoption of other new and amended IFRSs did not result in material changes to the Group's results.

The new accounting standard IFRS 16: Leases which became effective for annual periods beginning on or after 1 January 2019, and was applied to the Group's financial

year starting 1 July 2019, sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single, on-balance sheet accounting model for leases. The Group has applied the new accounting standard on modified retrospective approach to recognise the cumulative effect of initially applying IFRS 16. Accordingly, the comparative financial statements will not be restated. The adoption of IFRS 16 did not give rise to any significant changes to Group's financial statements except for the increase in right-of-use assets.

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	
	Year ended	
	30 Jun 2020	30 Jun 2019
	Unaudited	Audited
	RMB	RMB
Basic	(0.93)	(0.87)
Diluted	N/A	N/A

Basic loss per share for the year ended 30 June 2020 ("FY2020") was calculated based on the Group's loss for the year of approximately RMB73,934,000 (Year ended 30 June 2019 ("FY2019"): approximately RMB69,353,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each ("Shares") (FY2019: 79,828,927 Shares) in issue during FY2020.

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 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	11.85	12.76	9.92	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 30 June 2020 was calculated based on the Group's net assets of approximately RMB945,737,000 as at 30 June 2020 (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 30 June 2020 was calculated based on the net assets of approximately RMB791,726,000 as at 30 June 2020 (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

FY2020 vs FY2019

Revenue

<u>FY2020</u>			Average selling price RMB/Kg	<u>FY2019</u>			Average selling price RMB/Kg
	Revenue RMB'million	Volume Tonnes			Revenue RMB'million	Volume Tonnes	
Premium series	74.8	475	157.5	Premium series	104.3	778	134.1
Regular series	38.5	776	49.6	Regular series	35.3	892	39.6
Total	113.3	1,251	90.6	Total	139.6	1,670	83.6

Group revenue for FY2020 decreased by RMB26.3 million or 18.8% to RMB113.3 million. During the national lockdown in February 2020 as a result of the outbreak of the COVID-19 pandemic, there was a drastic change in consumers' consumption habit and spending pattern on discretionary consumer goods. The Group's baijiu sales were therefore disrupted since February 2020.

Gross profit and margin

The Group's gross profit decreased by RMB4.5 million or 9.4% to RMB43.9 million.

Gross profit for premium series decreased from RMB40.4 million to RMB33.9 million, and gross profit for regular series increased from RMB8.0 million to RMB10.0 million. Gross Profit Margin ("GPM") for premium series increased from 38.8% to 45.3% and

GPM for regular series increased from 22.6% to 25.9%. Overall GPM for “Dukang” products increased from 34.7% to 38.7%. The increase in GPM was mainly due to the change in product mix and increase in average selling price of the products between the two years.

Other income

Other income decreased from RMB5.9 million to RMB1.9 million mainly due to decrease in government grants received during the year.

Selling and distribution expenses

Selling and distribution expenses decreased by 8.6% or RMB3.8 million to RMB40.5 million, mainly due to a decrease in TV and radio commercial broadcast on channels in Henan Province by RMB0.3 million and a decrease in bus, rooftop, billboard and other means of advertising by RMB3.9 million.

Impairment losses

In view of the weak demand of the Group’s products and the poor operating results during the current financial year, the management has performed a review on the recoverable amount of the non-current assets, including property, plant and equipment, intangible assets and interest in an associate. As the recoverable amount of some of the assets assessed by an independent and professionally qualified valuer were lower than its carrying value, impairment losses for approximately RMB3.2 million on interest in an associate were recognised in FY2020, while RMB1.1 million on intangible assets and interest in an associate were recognised in FY2019.

Loss for the year

Taking into account of the above mentioned, the loss attributable to the owners of the Company amounted to RMB73.9 million for FY2020 (FY2019: loss of RMB69.4 million).

Review of Group’s Financial Position as at 30 June 2020

Property, plant and equipment and prepaid land lease payments

Property, plant and equipment increased by RMB103.3 million, while prepaid land lease payments decreased by RMB132.6 million. This was mainly attributable to the reclassification of the balance under prepaid land lease payments to property, plant and equipment as right-of-use assets upon the adoption of IFRS 16 during the year.

Inventories

Inventories increased by RMB41.5 million, mainly due to the stock up of packaging materials, grain alcohol and finished products for premium series in 4QFY2020,

targeting to boost sales in high-ended sector to improve our overall GPM during this challenging time.

Interest in an associate

Interest in an associate decreased by RMB2.5 million, due to the impairment loss made as mentioned above, partially offset by the share of the positive results during the year.

Prepayments, deposits and other receivables

Prepayment, deposits and other receivables decreased by RMB22.3 million. Due to the weak demand of our products, large amount of purchased packaging materials and alcohol remained unused. To maintain flexibility of different types of inventory items for future consumption, the Group managed to return these inventory items back to suppliers in 4QFY2017 and the remaining unused balance was classified as prepayment. The unused balance further reduced by RMB18.7 million, was offset by the purchase of packaging materials during FY2020.

Trade payables

Trade payables increased by RMB29.1 million mainly due to a larger amount of grain alcohol and packaging materials purchased in 4QFY2020 compared to 4QFY2019.

Amount due to an associate

Amount due to an associate increased by RMB1.7 million mainly due to the unpaid accruals of license fee payable to the associate during the year.

Statement of Cash Flows for the year ended 30 June 2020

RMB23.3 million used in operating activities for FY2020 was mainly the result of:

- (1) an operating loss before changes in working capital of RMB35.2 million;
- (2) an increase in inventories of RMB41.5 million; and
- (3) an income tax paid of RMB0.5 million.

which was offset by:

- (1) an increase in trade payables of RMB29.1 million;
- (2) a decrease in prepayments, deposits and other receivables of RMB23.0 million;
- and
- (3) an increase in amount due to an associate of RMB1.7 million.

RMB0.8 million was used in investing activities during the year ended 30 June 2020 was mainly due to purchase of property, plant and equipment amounting to RMB0.5 million and prepayment for lease payments of RMB0.7 million, offset by RMB0.4 million of interest received during the year.

RMB10.5 million was used in financing activities during the year ended 30 June 2020 mainly due to repayment to a director of RMB2.9 million, and RMB7.6 million of interest paid during the year.

As a result of the above and taking into the effect of changes in exchange rate, cash and cash equivalents decreased by RMB34.6 million to RMB121.9 million, down from RMB156.5 million as at 30 June 2019.

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

The FY2020 results are in line with the information disclosed in paragraph 10 of the 2QFY2020 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.

Since the COVID-19 outbreak, there was a drastic change in consumers' consumption habit and spending pattern on discretionary consumer goods, which could not be restored in a short period of time. This has dampened the typical peak sales season of the Group's baijiu products. In addition, the Group received a lukewarm response from its distributors at the annual promotional event held in May 2020, which is an indication of further downbeat trend going forward.

The Group is unable to quantify the financial impact as it will depend on economic sentiment and consumer confidence beyond our sphere of influence. The Group will control its selling and distribution expenses closely and monitor its cash flows tightly over this period in line with lower sales. The Group will continue to monitor the market condition and adjust its strategy in response to the situation.

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

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

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No interim dividend was declared or recommended.

(b) (i) Amount per share

Not applicable.

(ii) Previous corresponding period

No interim dividend was declared or recommended in the previous corresponding period.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

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

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

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

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

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

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

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

Not applicable.

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

Not applicable.

17. A breakdown of sales

	Year ended 30 June 2020 RMB'000	Year ended 30 June 2019 RMB'000
Revenue reported for the 1st half year	40,455	39,680
Net loss reported for the 1st half year	(35,828)	(41,356)
Revenue reported for the 2nd half year	72,876	99,968
Net loss reported for the 2nd half year	(38,106)	(27,997)

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.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are relatives of a Director or Chief Executive Officer or substantial shareholder of the Company.

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

**ZHOU TAO
CHAIRMAN
29 August 2020**