

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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) %	Nine months ended		Increase/ (Decrease) %
	31 Mar 2019 Unaudited RMB'000	31 Mar 2018 Unaudited RMB'000		31 Mar 2019 Unaudited RMB'000	31 Mar 2018 Unaudited RMB'000	
Revenue	32,152	55,098	(41.6)	71,832	99,043	(27.5)
Cost of sales	(17,319)	(28,967)	(40.2)	(42,406)	(58,912)	(28.0)
Gross profit	14,833	26,131	(43.2)	29,426	40,131	(26.7)
Other income	1,631	104	1,468.3	2,357	352	569.6
Selling and distribution expenses	(14,932)	(4,865)	206.9	(28,111)	(17,486)	60.8
Administrative expenses	(19,182)	(19,975)	(4.0)	(59,586)	(59,255)	0.6
Operating (loss)/profit	(17,650)	1,395	(1,365.2)	(55,914)	(36,258)	54.2
Finance costs	(1,376)	(1,439)	(4.4)	(5,190)	(5,126)	1.2
Share of profit of an associate	230	396	(41.9)	410	614	(33.2)
(Loss)/profit before income tax	(18,796)	352	(5,439.8)	(60,694)	(40,770)	48.9
Income tax (expense)/credit	(345)	(1,008)	(65.8)	197	(561)	(135.1)
Loss for the period, attributable to owners of the Company	(19,141)	(656)	2,817.8	(60,497)	(41,331)	46.4
Other comprehensive income for the period						
Items that may be reclassified subsequently to profit or loss:						
Exchange (loss)/gain on translation of financial statements of foreign operations	(4,412)	6,561	(167.2)	(6,673)	8,497	(178.5)
Total comprehensive income for the period, attributable to owners of the Company	(23,553)	5,905	(498.9)	(67,170)	(32,834)	104.6

Notes:

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

	Group		Increase/ (Decrease)	Group		Increase/ (Decrease)
	Three months ended 31 Mar 2019 Unaudited RMB'000	31 Mar 2018 Unaudited RMB'000		Nine months ended 31 Mar 2019 Unaudited RMB'000	31 Mar 2018 Unaudited RMB'000	
			%			%
Interest income	131	104	26.0	357	352	1.4
Interest expenses	(1,376)	(1,439)	(4.4)	(5,190)	(5,126)	1.2
Depreciation of property, plant and equipment	(6,780)	(6,572)	3.2	(20,340)	(19,716)	3.2
Amortisation of prepaid land lease payments	(993)	(754)	31.7	(2,980)	(2,262)	31.7

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 2019	30 Jun 2018	31 Mar 2019	30 Jun 2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	803,808	793,606
Interest in an associate	14,130	13,720	-	-
Property, plant and equipment	274,319	294,659	-	-
Prepaid land lease payments	133,584	136,564	-	-
Intangible assets	280	280	-	-
	422,313	445,223	803,808	793,606
Current assets				
Inventories	699,307	715,000	-	-
Amounts due from subsidiaries	-	-	18,231	18,000
Prepayments, deposits and other receivables	42,860	44,699	-	-
Cash and cash equivalents	120,028	175,039	12	13
	862,195	934,738	18,243	18,013
Current liabilities				
Trade payables	28,497	60,914	-	-
Amount due to an associate	5,387	5,106	-	-
Accrued liabilities and other payables	102,449	97,640	11,137	6,070
Bank loans, secured	115,000	115,000	-	-
Provision for income tax	255	660	-	-
	251,588	279,320	11,137	6,070
Net current assets	610,607	655,418	7,106	11,943
Total assets less current liabilities	1,032,920	1,100,641	810,914	805,549
Non-current liabilities				
Deferred tax liabilities	11,040	11,591	-	-
	11,040	11,591	-	-
Net assets	1,021,880	1,089,050	810,914	805,549
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	742,381	809,551	531,415	526,050
Total equity	1,021,880	1,089,050	810,914	805,549

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

As at 31 March 2019	As at 30 June 2018
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
115,000	-	115,000	-

Details of any collateral:

As at 31 March 2019, the Group's bank loans amounting to RMB115.0 million were secured by charges over the Group's existing land use rights and leasehold buildings.

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

	Group		Group	
	Three months ended		Nine months ended	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before income tax	(18,796)	352	(60,694)	(40,770)
Adjustments for:				
Interest income on financial assets stated at amortised cost	(131)	(104)	(357)	(352)
Interest expenses	1,376	1,439	5,190	5,126
Depreciation of property, plant and equipment	6,780	6,572	20,340	19,716
Amortisation of prepaid land lease payments	993	754	2,980	2,262
Share of profit of an associate	(230)	(396)	(410)	(614)
Operating profit/(loss) before working capital changes	(10,008)	8,617	(32,951)	(14,632)
(Increase)/decrease in inventories	(2,201)	7,966	15,693	16,888
Decrease in prepayments, deposits and other receivables	453	66	1,839	4,524
Increase/(decrease) in trade payables	1,623	11,650	(32,417)	(11,302)
Increase/(decrease) in accrued liabilities and other payables	1,466	(1,277)	(1,425)	(714)
Increase in amount due to an associate	-	1,007	281	2,506
Cash (used in)/generated from operations	(8,667)	28,029	(48,980)	(2,730)
Income taxes paid	(300)	(184)	(759)	(1,613)
Net cash (used in)/generated from operating activities	(8,967)	27,845	(49,739)	(4,343)
Cash flows from investing activities				
Interest received	131	104	357	352
Net cash generated from investing activities	131	104	357	352
Cash flows from financing activities				
Proceeds from bank loans	115,000	115,000	115,000	115,000
Repayment of bank loans	(115,000)	-	(115,000)	(113,000)
Advance from a director	923	-	6,234	-
Interest paid	(1,376)	(1,439)	(5,190)	(5,126)
Net cash (used in)/generated from financing activities	(453)	113,561	1,044	(3,126)
Net (decrease)/increase in cash and cash equivalents	(9,289)	141,510	(48,338)	(7,117)
Cash and cash equivalents at beginning of period	133,729	43,522	175,039	190,213
Effect of foreign exchange rate changes	(4,412)	6,561	(6,673)	8,497
Cash and cash equivalents at end of period	120,028	191,593	120,028	191,593
Analysis of balances of cash and cash equivalents				
Cash at banks and in hand	120,028	191,593	120,028	191,593

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 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
Balance as at 1 January 2019	279,499	656,811	(150,101)	169,567	(1,494)	91,151	1,045,433
Loss for the period	-	-	-	-	-	(19,141)	(19,141)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(4,412)	-	(4,412)
Total comprehensive income for the period	-	-	-	-	(4,412)	(19,141)	(23,553)
Balance as at 31 March 2019	279,499	656,811	(150,101)	169,567	(5,906)	72,010	1,021,880
Balance as at 1 July 2018	279,499	656,811	(150,101)	169,567	767	132,507	1,089,050
Loss for the period	-	-	-	-	-	(60,497)	(60,497)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(6,673)	-	(6,673)
Total comprehensive income for the period	-	-	-	-	(6,673)	(60,497)	(67,170)
Balance as at 31 March 2019	279,499	656,811	(150,101)	169,567	(5,906)	72,010	1,021,880

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 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
Balance as at 1 January 2019	279,499	656,811	120,523	7,378	(229,905)	834,306
Loss for the period	-	-	-	-	(951)	(951)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(22,441)	-	(22,441)
Total comprehensive income for the period	-	-	-	(22,441)	(951)	(23,392)
Balance as at 31 March 2019	279,499	656,811	120,523	(15,063)	(230,856)	810,914
Balance as at 1 July 2018	279,499	656,811	120,523	(25,507)	(225,777)	805,549
Loss for the period	-	-	-	-	(5,079)	(5,079)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	10,444	-	10,444
Total comprehensive income for the period	-	-	-	10,444	(5,079)	5,365
Balance as at 31 March 2019	279,499	656,811	120,523	(15,063)	(230,856)	810,914

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 March 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 Mar 2019	30 Jun 2018
Total number of issued shares (excluding treasury shares)	79,828,927	79,828,927

1. (d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1. (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have any subsidiary that holds shares issued by the Company.

2. Whether the figures have been audited or reviewed in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

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

Except for the adoption of the applicable new/revised International Financial Reporting Standards (IFRSs) which became effective for the financial period beginning on or after 1 July 2018, the Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 30 June 2018. The adoption of these revised IFRSs for the current reporting period ended 31 March 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.

	Group	
	Three months ended	
	31 Mar 2019	31 Mar 2018
	Unaudited	Unaudited
	RMB	RMB
Basic	(0.24)	(0.01)
Diluted	N/A	N/A

Basic loss per share for the period ended 31 March 2019 ("3QFY2019") was calculated based on the Group's loss for the period of approximately RMB19,141,000 (Period ended 31 March 2018 ("3QFY2018"): loss of approximately RMB656,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each ("Shares") (3QFY2018: 79,828,927 Shares) in issue during 3QFY2019.

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
	31 Mar 2019	30 Jun 2018	31 Mar 2019	30 Jun 2018
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	12.80	13.64	10.16	10.09
Number of ordinary shares	79,828,927	79,828,927	79,828,927	79,828,927

Net asset value per ordinary share of the Group as at 31 March 2019 was calculated based on the Group's net assets of approximately RMB1,021,880,000 as at 31 March 2019 (30 June 2018: approximately RMB1,089,050,000) divided by 79,828,927 Shares (30 June 2018: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 31 March 2019 was calculated based on the net assets of approximately RMB810,914,000 as at 31 March 2019 (30 June 2018: approximately RMB805,549,000) divided by 79,828,927 Shares (30 June 2018: 79,828,927 Shares).

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

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

Review of Group's Performance

3QFY2019 vs 3QFY2018

Luoyang Dukang

<u>3Q FY2019</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>3Q FY2018</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	27.7	208	133.2	Premium series	41.8	274	152.6
Regular series	4.5	166	27.1	Regular series	13.3	379	35.1
Total	32.2	374	86.1	Total	55.1	653	84.4

Revenue

Group revenue for 3QFY2019 decreased by RMB22.9 million or 41.6% to RMB32.2 million. During the period, the Group was fine-tuning its quality and the packaging of the Jiuzu Dukang series. As part of the Group's strategy to clear the old inventories of the old Jiuzu series, there was a reduction of Jiuzu's sales to the distributors so that they can clear the old Jiuzu series and increase their orders once the newer version of Jiuzu is launched.

Gross profit and margin

The Group's gross profit decreased by RMB11.3 million or 43.2% to RMB14.8 million.

Gross profit for premium series decreased from RMB22.0 million to RMB13.9 million, and gross profit for regular series decreased from RMB4.1 million to RMB0.9 million. Gross Profit Margin ("GPM") for premium series decreased from 52.7% to 50.5% and GPM for regular series decreased from 30.7% to 19.5%. Overall GPM for "Dukang" products decreased from 47.4% to 46.1%. The decrease in GPM was mainly due to the change in product mix during the two periods.

Other income

Other income increased from RMB0.1 million to RMB1.6 million mainly due to government grants received during the period.

Selling and distribution expenses

Selling and distribution expenses increased by 206.9% or RMB10.1 million to RMB14.9 million, mainly due to an increase in TV and radio commercial broadcast on channels in Henan Province by RMB7.2 million and an increase in bus and rooftop advertising in major Henan Province cities by RMB2.4 million for promotion by its sponsorship for two events, Worship Ceremony of the Yellow Emperor held in the town of Xinzheng in the jurisdiction of Zhengzhou city and Luoyang Peony Culture Festival.

Share of profit of an associate

Share of profit of an associate decreased as a result of a 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 RMB19.1 million for 3QFY2019 (3QFY2018: loss of RMB0.7 million).

Review of Group's Financial Position as at 31 March 2019Trade payables

Trade payables decreased by RMB32.4 million mainly due to a significantly lower amount of grain alcohol and packaging materials purchased in 3QFY2019 compared to 4QFY2018.

Amount due to an associate

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

Statement of Cash Flows for the period ended 31 March 2019

RMB9.0 million used in operating activities for 3QFY2019 was mainly the result of:

- (1) an operating loss before changes in working capital of RMB10.0 million; and
- (2) an increase in inventories of RMB2.2 million.

which was offset by:

- (1) an increase in trade payables of RMB1.6 million;
- (2) an increase in accrued liabilities and other payables of RM1.5 million; and
- (3) a decrease in prepayments, deposits and other receivables of RMB0.5 million.

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

RMB0.5 million was used in financing activities during the period ended 31 March 2019 mainly due to an increase of approximately RMB0.9 million advance from a director, offset by RMB1.4 million of interest paid to banks 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 RMB13.7 million to RMB120.0 million, down from RMB133.7 million as at 31 December 2018.

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

Although there was no deviation from the information disclosed in paragraph 10 of the previous results announcement, the Company had released a profit guidance announcement to the Singapore Exchange Securities Trading Limited on 7 May 2019 in view of its significantly lower overall revenue and earnings in 3QFY2019 compared to 3QFY2018.

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.

Demand for the Group's baijiu products will be subdued for the coming quarter as the annual peak sales season is over.

In view of the Group's declining profitability and recent losses due to the challenging industry environment, the Board undertook a strategic review and has proposed to dispose the loss-making 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 announcement dated 17 November 2018.

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 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

14 May 2019

**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 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**

14 May 2019