

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

Group	Three months ended		Increase/ (Decrease) %	Half year ended		Increase/ (Decrease) %
	31 Dec 2015 Unaudited RMB'000	31 Dec 2014 Unaudited RMB'000		31 Dec 2015 Unaudited RMB'000	31 Dec 2014 Unaudited RMB'000	
Revenue	258,737	231,621	11.7	422,701	439,056	(3.7)
Cost of sales	(167,408)	(165,703)	1.0	(278,158)	(335,015)	(17.0)
Gross profit	91,329	65,918	38.5	144,543	104,041	38.9
Other income	727	711	2.3	1,251	1,271	(1.6)
Selling and distribution expenses	(64,594)	(37,789)	70.9	(93,706)	(80,216)	16.8
Administrative expenses	(26,367)	(25,125)	4.9	(50,198)	(48,059)	4.5
Operating profit	1,095	3,715	(70.5)	1,890	(22,963)	(108.2)
Finance costs	(2,121)	(2,145)	(1.1)	(4,569)	(5,493)	(16.8)
Share of profit of an associate	1,687	1,465	15.2	2,196	2,100	4.6
Profit/(loss) before income tax	661	3,035	(78.2)	(483)	(26,356)	(98.2)
Income tax credit	357	714	(50.0)	715	714	0.1
Profit/(loss) for the period, attributable to the owners of the Company	1,018	3,749	(72.8)	232	(25,642)	(100.9)
Other comprehensive income for the period						
Item that may be reclassified subsequently to profit or loss:						
Exchange loss on translation of financial statements of foreign operations	(7)	(819)	(99.1)	(15)	(564)	(97.3)
Total comprehensive income for the period, attributable to the owners of the Company	1,011	2,930	(65.5)	217	(26,206)	(100.8)

Notes:

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

	Group		Increase/ (Decrease) %	Group		Increase/ (Decrease) %
	Three months ended 31 Dec 2015 Unaudited RMB'000	31 Dec 2014 Unaudited RMB'000		Half year ended 31 Dec 2015 Unaudited RMB'000	31 Dec 2014 Unaudited RMB'000	
Interest income	477	216	120.8	857	518	65.4
Interest expenses	(2,121)	(2,145)	(1.1)	(4,569)	(5,493)	(16.8)
Depreciation of property, plant and equipment	(6,375)	(9,771)	(34.8)	(12,750)	(19,331)	(34.0)
Amortisation of prepaid land lease payments	(696)	(743)	(6.3)	(1,392)	(1,486)	(6.3)

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 2015 RMB'000	Audited As at 30 Jun 2015 RMB'000	Unaudited As at 31 Dec 2015 RMB'000	Audited As at 30 Jun 2015 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	279,108	279,108
Interest in an associate	121,266	119,070	-	-
Property, plant and equipment	375,163	385,601	-	-
Prepaid land lease payments	117,385	118,777	-	-
Intangible assets	1,280	1,280	-	-
Deposits	6,537	6,537	-	-
	621,631	631,265	279,108	279,108
Current assets				
Inventories	619,377	663,700	-	-
Amounts due from subsidiaries	-	-	511,752	515,526
Prepayments, deposits and other receivables	35,542	87,870	-	-
Cash and cash equivalents	561,337	403,009	23	22
	1,216,256	1,154,579	511,775	515,548
Non-current assets held for sale	52,592	52,592	-	-
	1,268,848	1,207,171	511,775	515,548
Current liabilities				
Trade payables	78,478	79,767	-	-
Amount due to an associate	26,191	20,097	-	-
Accrued liabilities and other payables	199,437	149,208	4,171	3,450
Bank and other loans, secured	120,000	119,750	-	-
Provision for income tax	2,171	4,914	-	-
	426,277	373,736	4,171	3,450
Net current assets	842,571	833,435	507,604	512,098
Total assets less current liabilities	1,464,202	1,464,700	786,712	791,206
Non-current liabilities				
Bank and other loans, secured	15,000	15,000	-	-
Deferred tax liabilities	11,731	12,446	-	-
	26,731	27,446	-	-
Net assets	1,437,471	1,437,254	786,712	791,206
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,157,972	1,157,755	507,213	511,707
Total equity	1,437,471	1,437,254	786,712	791,206

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

As at 31 December 2015	As at 30 June 2015
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
120,000	-	119,750	-

Amount repayable after one year:

As at 31 December 2015	As at 30 June 2015
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
15,000	-	15,000	-

Details of any collateral:

As at 31 December 2015, the Group's bank and other loans amounting to RMB 135 million were secured by charges over the Company's 9.09% equity interest in a subsidiary, Ruyang Dukang Distillers Company Limited, the Group's existing land use rights and leasehold buildings.

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

	Group		Group	
	Three months ended 31 Dec 2015 Unaudited RMB'000	31 Dec 2014 Unaudited RMB'000	Half year ended 31 Dec 2015 Unaudited RMB'000	31 Dec 2014 Unaudited RMB'000
Cash flows from operating activities				
Profit/(loss) before income tax	661	3,035	(483)	(26,356)
Adjustments for:				
Interest income on financial assets stated at amortised cost	(477)	(216)	(857)	(518)
Interest expenses	2,121	2,145	4,569	5,493
Depreciation	6,375	9,771	12,750	19,331
Amortisation of prepaid land lease payments	696	743	1,392	1,486
Share of profit of an associate	(1,688)	(1,465)	(2,196)	(2,100)
Operating profit/(loss) before working capital changes	7,688	14,013	15,175	(2,664)
Decrease/(increase) in inventories	25,392	(2,744)	44,323	10,209
Decrease in trade receivables	-	-	-	1,838
Decrease in prepayments, deposits and other receivables	13,242	156,434	52,328	163,247
Increase/(decrease) in trade payables	3,648	(577)	(1,289)	(89,016)
Increase/(decrease) in accrued liabilities and other payables	12,616	(3,869)	50,229	(5,091)
Increase in amount due to an associate	7,027	5,240	6,094	3,837
Cash generated from operations	69,613	168,497	166,860	82,360
Income taxes paid	(1,719)	-	(2,743)	(2,210)
Net cash generated from operating activities	67,894	168,497	164,117	80,150
Cash flows from investing activities				
Purchases of property, plant and equipment	(895)	(11,219)	(2,312)	(11,219)
Interest received	477	216	857	518
Net cash used in investing activities	(418)	(11,003)	(1,455)	(10,701)
Cash flows from financing activities				
Proceeds from bank loans	20,000	-	20,000	-
Repayment of bank loans	(19,750)	(42,250)	(19,750)	(42,250)
Interest paid	(2,121)	(2,145)	(4,569)	(5,493)
Net cash used in financing activities	(1,871)	(44,395)	(4,319)	(47,743)
Net increase in cash and cash equivalents	65,605	113,099	158,343	21,706
Cash and cash equivalents at beginning of period	495,739	300,613	403,009	391,751
Effect of foreign exchange rate changes	(7)	(819)	(15)	(564)
Cash and cash equivalents at end of period	561,337	412,893	561,337	412,893
Analysis of balances of cash and cash equivalents				
Cash at banks and in hand	561,337	412,893	561,337	412,893

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 October 2014	279,499	656,811	(150,101)	147,182	4,110	1,032,024	1,969,525
Profit for the period	-	-	-	-	-	3,749	3,749
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(819)	-	(819)
Total comprehensive income for the period	-	-	-	-	(819)	3,749	2,930
Balance as at 31 December 2014	279,499	656,811	(150,101)	147,182	3,291	1,035,773	1,972,455
Balance as at 1 July 2014	279,499	656,811	(150,101)	147,182	3,855	1,061,415	1,998,661
Loss for the period	-	-	-	-	-	(25,642)	(25,642)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	(564)	-	(564)
Total comprehensive income for the period	-	-	-	-	(564)	(25,642)	(26,206)
Balance as at 31 December 2014	279,499	656,811	(150,101)	147,182	3,291	1,035,773	1,972,455
Balance as at 1 October 2015	279,499	656,811	(150,101)	152,773	3,826	493,652	1,436,460
Profit for the period	-	-	-	-	-	1,018	1,018
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(7)	-	(7)
Total comprehensive income for the period	-	-	-	-	(7)	1,018	1,011
Balance as at 31 December 2015	279,499	656,811	(150,101)	152,773	3,819	494,670	1,437,471
Balance as at 1 July 2015	279,499	656,811	(150,101)	152,773	3,834	494,438	1,437,254
Profit for the period	-	-	-	-	-	232	232
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	(15)	232	217
Balance as at 31 December 2015	279,499	656,811	(150,101)	152,773	3,819	494,670	1,437,471

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 October 2014	279,499	656,811	120,523	(58,632)	(201,437)	796,764
Loss for the period	-	-	-	-	(1,547)	(1,547)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	(5,626)	-	(5,626)
Total comprehensive income for the period	-	-	-	(5,626)	(1,547)	(7,173)
Balance as at 31 December 2014	279,499	656,811	120,523	(64,258)	(202,984)	789,591
Balance as at 1 July 2014	279,499	656,811	120,523	(58,889)	(200,761)	797,183
Loss for the period	-	-	-	-	(2,223)	(2,223)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	(5,369)	-	(5,369)
Total comprehensive income for the period	-	-	-	(5,369)	(2,223)	(7,592)
Balance as at 31 December 2014	279,499	656,811	120,523	(64,258)	(202,984)	789,591
Balance as at 1 October 2015	279,499	656,811	120,523	(58,908)	(208,003)	789,922
Loss for the period	-	-	-	-	(3,202)	(3,202)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(8)	-	(8)
Total comprehensive income for the period	-	-	-	(8)	(3,202)	(3,210)
Balance as at 31 December 2015	279,499	656,811	120,523	(58,916)	(211,205)	786,712
Balance as at 1 July 2015	279,499	656,811	120,523	(58,904)	(206,723)	791,206
Loss for the period	-	-	-	-	(4,482)	(4,482)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(12)	-	(12)
Total comprehensive income for the period	-	-	-	(12)	(4,482)	(4,494)
Balance as at 31 December 2015	279,499	656,811	120,523	(58,916)	(211,205)	786,712

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

The Company had on 20 November 2015 completed a share consolidation of every ten (10) shares registered in the name or standing to the credit of the Securities Account (as the case may be), of each Shareholder into one (1) Consolidated Share ("Share Consolidation"). The issued share capital of the Company after the said share consolidation comprises 79,828,931 Consolidated Shares with a par value of HK\$4.00 each, after disregarding any fractions of Consolidated Shares arising from the Share Consolidation.

The Company had no outstanding convertibles and there were no shares held as treasury shares as at 31 December 2015.

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

	As at	
	31 Dec 2015	30 Jun 2015
Total number of issued shares (excluding treasury shares)	79,828,931	798,289,318

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

Not applicable.

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

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

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

Not applicable.

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

Except for the adoption of the applicable new/revised International Financial Reporting Standards (IFRSs) which became effective for the financial period beginning on or after 1 July 2015, the Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 30 June 2015. The adoption of these revised IFRSs for the current reporting period ended 31 December 2015 did not result in material changes to the Group's results.

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

Please refer to Item 4 above.

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

	Group	
	Three months ended	
	31 Dec 2015	31 Dec 2014
	Unaudited	Unaudited
	RMB cents	RMB cents
Basic	1.28	0.47
Diluted	N/A	N/A

Basic earnings per share for the period ended 31 December 2015 ("2QFY2016") was calculated based on the Group's profit for the period of approximately RMB 1,018,000 (Period ended 31 December 2014 ("2QFY2015"): profit of approximately RMB 3,749,000) divided by the weighted average number of 79,828,931 ordinary shares of HK\$4.0 each ("Shares") (2QFY2015: 798,289,318 Shares) in issue during 2QFY2016.

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 Dec 2015 RMB cents	As at 30 Jun 2015 RMB cents	As at 31 Dec 2015 RMB cents	As at 30 Jun 2015 RMB cents
Net asset value per ordinary share	1,800.69	180.04	985.50	99.11
Number of ordinary shares	79,828,931	798,289,318	79,828,931	798,289,318

Net asset value per ordinary share of the Group as at 31 December 2015 was calculated based on the Group's net assets of approximately RMB 1,437,471,000 as at 31 December 2015 (30 June 2015: approximately RMB 1,437,254,000) divided by 79,828,931 Shares (30 June 2015: 798,289,318 Shares).

Net asset value per ordinary share of the Company as at 31 December 2015 was calculated based on the net assets of approximately RMB 786,712,000 as at 31 December 2015 (30 June 2015: approximately RMB 791,206,000) divided by 79,828,931 Shares (30 June 2015: 798,289,318 Shares).

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

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

Review of Group's Performance**2QFY2016 VS 2QFY2015****Revenue**Luoyang Dukang

<u>2Q FY2016</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg	<u>2Q FY2015</u>	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	58.8	429	137.1	Premium series	48.1	324	148.5
Regular series	199.9	5,810	34.4	Regular series	183.5	6,214	29.5
Total	258.7	6,239	41.5	Total	231.6	6,538	35.4

Group revenue for 2QFY2016 increased by RMB 27.1 million or 11.7% to RMB 258.7 million. The growth was due mainly to the launch of the Group's major new products, such as Dukang No.1 (under premium series) and Dukang No.2 (under regular series) from Luoyang Dukang operations during the period.

Gross profit and margin

The Group's gross profit increased by RMB 25.4 million or 38.5% to RMB 91.3 million.

Gross profit margin ("GPM") increased by 6.8 percentage points from 28.5% to 35.3% primarily due to an increase in the overall GPM for 「Dukang」 products.

Gross profit for premium and regular series increased from RMB 21.4 million and RMB 44.5 million to RMB 28.3 million and RMB 63.0 million respectively. GPM for premium series increased from 44.5% to 48.2% and GPM for regular series increased from 24.3% to 31.5%. The increase in gross profit margin was mainly due to the change in product mix during 2QFY2016.

Selling and distribution expenses

Selling and distribution expenses increased by 70.9% or RMB 26.8 million to RMB 64.6 million. This was due mainly to:

- Bus and rooftop advertising in major Henan Province cities, which increased by RMB 28.0 million.

The purpose of the intensified advertising and promotional activities is to elevate the

awareness of the Group's new products, Dukang No.1 and Dukang No.2.

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 increased in sale of the products under the 「Dukang」 brand.

Income tax credit

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

Profit for the period

Taking into account of the above mentioned, the profit attributable to the owners of the Company amounted to RMB 1.0 million for 2QFY2016 (2QFY2015: profit of RMB 3.7 million).

Review of Group's Financial Position

31 December 2015 VS 30 June 2015

Inventories

Inventories decreased by RMB 44.3 million, mainly due to the reduction in production volume of the grain alcohol from the cessation of production of the Group's Yichuan factory in the first half of FY2016, and lower amount of raw materials and packaging materials purchased in 2QFY2016.

Prepayments, deposits and other receivables

Prepayment, deposits and other receivables decreased by RMB 52.3 million, mainly due to the settlement of the receivables from the sale of grain alcohol during the first half of FY2016.

Non-current assets classified as held for sale

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

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

Accrued liabilities and other payables

Accrued liabilities and other payables increased by 50.2 million mainly due to the remaining sales deposit received for RMB 40.0m as above mentioned.

Cash and cash equivalents

Cash and cash equivalents increased by RMB 158.3 million from RMB 403.0 million as at 30 June 2015 to RMB 561.3 million as at 31 December 2015. This was mainly due to net cash of RMB 164.1 million generated from operating activities, net cash of RMB 1.5 million used in investing activities and net cash of RMB 4.3 million used in financing activities during 2QFY2016.

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

The 2QFY2016 results are in line with the information described in paragraph 10 of the 1QFY2016 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.

The overall baijiu industry is in a slow recovery mode due to China's slowing economy and ongoing anti-graft campaign. Structural adjustment in the baijiu industry from premium baijiu products to mass market products is still ongoing. In order to adapt to the market condition and stay relevant, baijiu producers will need to innovate and make the appropriate changes.

During the first half of FY2016, the Group has overhauled its internal management system, streamlined its organisational structure, reduced sales channel length and increased service efficiency. In addition, the Group has further upgraded its Jiuzu Dukang Series and Mianrou Dukang Series to cater to the shift in consumer preferences and rolled out new strategic products, such as Dukang No.1 and Dukang No.2, in order to capture a younger market.

During this era of consumer sovereignty, the Group will pay close attention to changes in consumer behaviour and streamline the Group's product mix as well as to present the 「Dukang」 brand in a more contemporary and trendy approach.

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.

No dividend has been declared.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

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

Not applicable.

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

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

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

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

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

**ZHOU TAO
CHAIRMAN
12 FEBRUARY 2016**

**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 2015 to be false or misleading in any material aspect.

**For and on behalf of the Board of Directors of
Dukang Distillers Holdings Limited**

**Zhou Tao
Director**

**Huo Lei
Director**

12 FEBRUARY 2016