



杜康控股

Dukang Distillers Holdings Limited

新挑战  
新体验

**NEW CHALLENGES  
NEW EXPERIENCES**

ANNUAL REPORT 2020

THE CHALLENGE IS IN  
THE MOMENT;  
THE TIME IS ALWAYS  
NOW



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**Based in Henan Province, the People's Republic of China (the "PRC"), Dukang Distillers Holdings Limited (formerly known as Trump Dragon Distillers Holdings Limited) ("Dukang" or the "Group"), is a producer and seller of baijiu ("白酒") products.**

As the first PRC baijiu enterprise listed overseas, the Company has its primary listing on the Mainboard of Singapore Exchange Securities Trading Limited since September 2008 and the listing of its Taiwan Depository Receipts on the Taiwan Stock Exchange since March 2011.

Originated from the brand 「Siwu」 ("四五"), the Group acquired Luoyang Dukang Holdings Limited ("洛陽杜康控股有限公司") in May 2010 and currently sells its products under the 「Dukang」 brand name.

Named after the forefather of baijiu and drawing upon a long history and rich cultural heritage of over five thousand years, the 「Dukang」 brand is poised to target the mid-to-high end baijiu market in the PRC.

The Group's products are sold via distributors mainly to supermarkets, flagship stores, specialty stores and restaurants.

The Group currently has an annual grain alcohol production capacity of 4,684 tonnes from 2,428 fermentation pools for the 「Dukang」 brand. With its distinctive taste and brewed using traditional methods, the 「Dukang」 brand has clinched national awards including China Intangible Cultural Heritage (2008), Henan Well-known Trademark (2008), China Well-known Trademark (2005), China Time-honoured Brand (2005), Top 10 Chinese Wine Brands (2001) and Star Enterprise of The National Wine Industry (1994).

In early 2013, the Group's 「Dukang」 brand was officially endorsed by the PRC government as one of the appointed baijiu to serve foreign dignitaries.



杜康控股

With more than 2000 years of history, "Dukang" ("杜康") is a well-known baijiu brand in and beyond Henan Province. Named after the forefather of baijiu - 杜康 ("Dukang"), the renowned "Dukang" brand name has a stronghold in Luoyang City.

We are committed to enhance the "Dukang" brand name via extensive marketing and branding activities. With its rich history and heritage, we believe "Dukang" will fully realise its brand potential and emerge as one of the top national baijiu brand names in the PRC.

"Dukang" products are positioned to target the mid-to-high end market in Henan Province, China.







Dukang No.1 (premium series)  
杜康1号



Dukang No.2 (regular series)  
酒祖小封坛-玉坛



Zone 12 Cellar -  
Jiuzu Dukang Series  
12窖区-  
酒祖杜康系列



5 Star -  
Mianrou Dukang Series  
五星-  
绵柔杜康系列



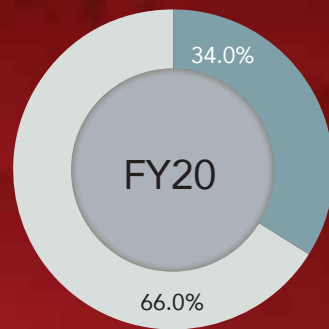
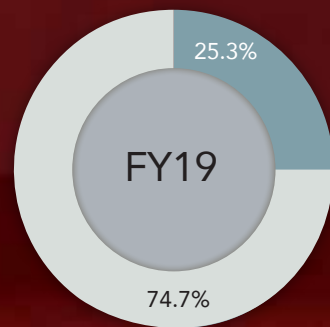
20 Years -  
Guohua Dukang Series  
20年-  
国花杜康系列

## Financial Highlights 财务概要

(RMB' million)

	FY20	FY19	FY18	FY17	FY16
Revenue	113.3	139.6	148.5	464.5	865.0
Gross Profit	43.9	48.4	41.7	121.1	301.0
Gross Profit Margin	38.7%	34.7%	28.1%	26.1%	34.8%
Net Loss	(73.9)	(69.4)	(222.0)	(112.4)	(10.7)
Loss Per Share (RMB)	(0.93)	(0.87)	(2.78)	(1.41)	(0.13)
Net Asset Value Per Share (RMB)	11.85	12.76	13.64	16.42	17.84

\* At the special general meeting of the Company held on 28 October 2015, shareholders of the Company had duly approved the share consolidation on the basis that every ten issued and unissued ordinary shares of par value of HK\$0.40 each to be consolidated into one ordinary share of par value of HK\$4.00 each effective from 20 November 2015 (fractional entitlements being disregarded). Comparative figures have been restated on the assumption that the share consolidation had been effective in prior years.



■ Luoyang Dukang Premium ■ Luoyang Dukang Regular



“ ... the Board undertook a strategic review of investment and divestment opportunities with a view to improve the Group’s financial position. ”

On behalf of the Board of Directors, Management and staff of Dukang Distillers Holdings Limited (“Dukang Distillers” or the “Company”, together with its subsidiaries, the “Group”), it is my pleasure to present our annual report for the financial year ended 30 June 2020 (“FY2020”).

#### **The Year in Review**

The Group’s revenue declined 18.8% year-on-year (“yoy”) from RMB139.6 million for FY2019 to RMB113.3 million for FY2020. This was mainly due to the disruption in baijiu sales since February 2020. There was a drastic change in consumers’ consumption habit and spending pattern on discretionary consumer goods as a result of the outbreak of the COVID-19 pandemic. The Group’s average selling prices (“ASP”) of Luoyang Dukang’s premium series increased 17.4% yoy while sales volume decreased 38.9% yoy for FY2020. Sales volume of Luoyang Dukang’s regular series declined 13.0% yoy despite a 25.3% increase in ASP for FY2020. The Group’s gross profit decreased 9.3% yoy to RMB43.9 million while gross profit margin increased from 34.7% to 38.7%. The increase in gross profit margin was mainly due to the change in product mix and increase in average selling price of the products between the two years.



Selling and distribution expenses decreased by 8.6% to RMB40.5 million, mainly due to a decrease in advertising and promotional activities during the period under review. Administrative expenses for FY2020 decreased by RMB1.9 million to RMB68.9 million.

In view of the weak demand of the Group's products and the poor operating results during the current financial year, the management has taken the prudent step to recognise an impairment loss of approximately RMB3.2 million on interest in an associate in FY2020.

As a result of the above, the Group's loss attributable to owners of the Company increased from RMB69.4 million for FY2019 to RMB73.9 million for FY2020.

### **Outlook and Strategies**

The COVID-19 outbreak is but the latest in a series of challenges faced by the Group. Since the 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, which was 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. To mitigate this, the Group will control its advertising and promotion expenses closely and monitor its trade receivables and cash flows tightly during 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.

Given the Group's trend of declining profitability and losses in the recent financial years, the Board undertook a strategic review of investment and divestment opportunities in FY2018 with a view to improve the Group's financial position, unlock shareholder value and at the same time streamline its activities and businesses. Accordingly, the Board has proposed to dispose the loss-making baijiu business and enter into the kiwifruit cultivation and processing industry.

### **Appreciation**

In closing, I would like to thank my fellow Board members for their guidance and to the management and staff for their commitment towards the Group. I would also like to extend my appreciation to our customers, business partners and shareholders for their support amidst the challenging operating environment.

Thank you.

### **Zhou Tao**

*Executive Chairman & Chief Executive Officer*



**The Group reported an 18.8% year-on-year (“yoy”) decrease in revenue to RMB113.3 million for FY2020 from RMB139.6 million for FY2019.**

The Group reported an 18.8% year-on-year (“yoy”) decrease in revenue to RMB113.3 million for FY2020 from RMB139.6 million for FY2019. This was mainly attributable to a 25.1% decrease in overall sales volume despite a 8.4% increase in average selling price (“ASP”).

The revenue of Luoyang Dukang’s Premium Series decreased 28.3% yoy to RMB74.8 million for FY2020 from RMB104.3 million for FY2019. The sales volume of Luoyang Dukang Premium Series decreased 38.9% yoy from 778 tonnes for FY2019 to 475 tonnes for FY2020. The ASP for Luoyang Dukang Premium Series increased 17.4% yoy from RMB134.1 per kilogram for FY2019 to RMB157.5 per kilogram for FY2020.

The sales of Luoyang Dukang Regular Series increased 9.1% yoy from RMB35.3 million for FY2019 to RMB38.5 million for FY2020. The sales volume of Luoyang Dukang Regular Series declined 13.0% yoy from 892 tonnes for FY2019 to 776 tonnes for FY2020. The ASP for Luoyang Dukang Regular Series increased 25.3% yoy from RMB39.6 per kilogram for FY2019 to RMB49.6 per kilogram for FY2020.

The sales mix from Luoyang Dukang Premium Series and Regular Series in terms of revenue for FY2020 was 66.0% and 34.0% respectively. The sales mix from Luoyang Dukang Premium Series and Regular Series in terms of sales volume for FY2020 was 38.0% and 62.0% respectively.

The Group's overall gross profit ("GP") for FY2020 decreased by RMB4.5 million or 9.3% to RMB43.9 million. The overall gross profit margin ("GPM") increased 4.0 percentage points from 34.7% to 38.7%, primarily due to the change in product mix and increase in average selling price of the products between the two years.

The Group's GP for Premium Series decreased from RMB40.4 million to RMB33.9 million, while GP for Regular Series increased from RMB8.0 million to RMB10.0 million for FY2020. The GPM for Premium Series increased from 38.8% to 45.3% and GPM for Regular Series increased from 22.6% to 25.9% for FY2020.

The Group's selling and distribution expenses decreased by 8.6% or RMB3.8 million to RMB40.5 million for FY2020, 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 and other means of advertising by RMB3.9 million. Administrative expenses decreased marginally by 2.7% yoy to RMB68.9 million.

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.

Taking into account of the above mentioned, the loss attributable to the owners of the Company increased 6.5% yoy from RMB69.4 million for FY2019 to RMB73.9 million for FY2020.

### Cash Flow Management

Cash and cash equivalents decreased by RMB34.6 million from RMB156.5 million for FY2019 to RMB121.9 million for FY2020. This was mainly due to net cash of RMB23.3 million used in operating activities, net cash of RMB0.8 million used in investing activities and net cash of RMB10.5 million used in financing activities for FY2020.

### Financial Position

For the period under review, the Group's total equity decreased from RMB1,018.3 million for FY2019 to RMB945.7 million for FY2020.

In addition, the Group's total assets decreased by RMB46.7 million to RMB1,275.9 million mainly due to the decrease of interest in an associate, prepaid land lease payments, prepayments, deposits and other receivables, and cash and cash equivalents, which were partially offset by the increase in property, plant and equipment and inventories.

Total liabilities increased from RMB304.3 million for FY2019 to RMB330.1 million for FY2020, mainly resulting from the increase of trade payables and amount due to an associate, which were partially offset by the decrease in accrued liabilities and other payables, provision for income tax and deferred tax liabilities.





## PERSISTENCE

### Zhou Tao 周涛

Mr. Zhou Tao is the Executive Chairman and Chief Executive Officer of the Company. He was appointed to the Board on 28 February 2008 and was last re-elected on 27 October 2017. Mr. Zhou is responsible for the overall business direction and development as well as supervising the overall sales, marketing and branding activities of the Group. Mr. Zhou has over 20 years of sales and marketing experience in food and beverage companies, which included a stint as the Henan branch manager in 安徽口子窖酒业集团 (Anhui Kouzijiao Spirit Group), a well-known baijiu producer and seller in the PRC. In June 2005, Mr. Zhou joined the Group's former subsidiary, Henan Trump Dragon Siwu Wine Co., Ltd., as a Director and Deputy Managing Director and was responsible for its sales and marketing operations. In May 2007, Mr. Zhou was appointed as the Director of the Group's subsidiary, Henan Siwu Wine Sales Company Limited. Mr. Zhou graduated from 郑州大学 (Zhengzhou University) with a Bachelor's Degree in Finance in July 1992 and from 中国社会科学院研究生院 (the Graduate School of the Chinese Academy of Social Science) with a Certificate in Economics in December 1998.

### Huo Lei 霍雷

Mr. Huo Lei was appointed as the Executive Director of the Company on 1 September 2014 and was last re-elected on 27 October 2017. Mr. Huo is responsible for the overall general administration and personnel management of the Group. Mr. Huo has been with the Group since he joined the Group's subsidiary, Henan Trump Dragon Siwu Wine Co., Ltd., in September 2005. From March 2000 to September 2003, Mr. Huo was a manager in 河南省农业综合开发广泰科技有限公司 (Henan Province Agriculture Development Guangtai Technology Co., Ltd.). From September 2003 to September 2005, he was a manager in the corporate management department of 河南省新世家置业有限公司 (Henan Province Xinshijia Property Development Co., Ltd.). Mr. Huo graduated from 郑州工业大学 (Zhengzhou University of Technology) with a Diploma in Electric System Automation in July 2000 and from the North West Agriculture and Forestry University, Shaanxi Province, with a Masters in Business Administration in June 2013.



**Tan Siok Sing (Calvin) 陈续臣**

Mr. Tan Siok Sing (Calvin) was appointed as Independent Director of the Company on 26 June 2008 and re-designated as a Non-Executive and Non-Independent Director on 1 April 2011. Subsequently, he was re-designated as an Independent Director on 30 October 2012 and appointed as the Lead Independent Director on 1 June 2015. He was last re-elected on 26 October 2018. Mr. Tan is a member of the Audit Committee, Nominating Committee and Remuneration Committee. He is currently the Managing Director of Ironman Minerals & Ores Pte Ltd, an energy resource and minerals trading company. Prior to his current appointment at Ironman Minerals & Ores, Mr. Tan has more than 18 years of experience in the financial industry as the Executive Director in Millennium Securities Pte Ltd. Mr. Tan graduated from The University of Tennessee with a Masters in Business Administration in 1984. Mr. Tan is currently an Independent Director of EuroSports Global Limited and Libra Group Limited.

**Chia Seng Hee, Jack 杰克谢**

Mr. Chia Seng Hee, Jack was appointed as Independent Director of the Company on 26 June 2008 and was last re-elected on 26 October 2018. He is the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Mr. Chia graduated from the National University of Singapore with a Degree in Accountancy and from the International University of Japan with a Masters of Arts in International Relations. He is qualified as a Fellow of the Institute of Singapore Chartered Accountants. He also completed the General Manager Program at Harvard Business School. After 20 years in both the private and public sectors, substantially in Japan and China, with Arthur Andersen, Singapore Technologies, the Government of Singapore Investment Corporation (GIC) and the International Enterprise Singapore Board, Mr. Chia decided to embark on a career as a professional director, specialising in corporate governance. Mr. Chia's present directorships in other listed companies included CDW Holding Limited, Debao Property Development Ltd., mm2 Asia Ltd. and Ying Li International Real Estate Limited.

**Ho Teck Cheong 何德昌**

Mr. Ho Teck Cheong was appointed as Independent Director of the Company on 1 April 2011 and was last re-elected on 27 October 2017. Mr. Ho is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Mr. Ho graduated from McGill University, Montreal, Canada in 1982. Mr. Ho spent over 21 years in the banking industry where his last held position was with Santander Group as the Group Managing Director of its Asia Pacific region, responsible for Investment, Corporate and Private Banking. Mr. Ho is currently an Independent Non-Executive Director of Singamas Container Holdings Limited.

**Jia Guobiao 贾国彪**

Mr. Jia Guobiao was appointed as a Non-Executive and Non-Independent Director on 14 February 2014 and was last re-elected on 27 October 2017. He was the Chief Operating Officer of Synear Food Holdings Limited since June 2010. Mr. Jia joined Synear Frozen as Marketing Manager in 1999 and was subsequently appointed as the Assistant to Chairman of Henan Synear in December 2001. In 2006, he was appointed as Vice President (Operations) of Synear Food Holdings Limited. Mr. Jia joined Zhengzhou Huanghe Great View Royal Garden Co. Ltd as the Assistant to Chairman in April 2017. Mr. Jia graduated from 武汉大学 (Wuhan University) with a Degree in Law in 1990 and obtained a PhD in Literature from 中国人民大学 (Renmin University of China) in 2004.



## PERSISTENCE CAN CHANGE FAILURE INTO EXTRAORDINARY ACHIEVEMENT

### **Shi Dongkai 史东凯**

Mr. Shi is the General Manager (Finance) of the Group. He is responsible for overseeing the daily finance and accounting operations of the Group. Mr. Shi is currently the Securities Investment Manager of ZhengZhou Syneer Food Products Company which involves in the development, production and sale of quick freeze food products since 2005. He was the Department Manager for Henan Syneer Food Products Holdings Company from July 2001 to June 2005. Prior to that, he joined ZhengZhou Kangfuda Rental Company in March 1993. Mr. Shi graduated from 河南商业专科学校 (Henan Business College) in June 1990. In 2014, Mr. Shi has successfully become the Chinese Institute of Certified Public Accountants and graduated from 西安交通大学 (Xi'an Jiaotong University) with a Masters in Business Administration.

### **Ho Hin Yip 何衍业**

Mr. Ho is the Financial Controller of the Group and Joint Company Secretary of the Company. He joined the Group in April 2012 and is responsible for the financial reporting and company secretarial matters of the Group. He has over 22 years of experience in audit and accounting. Mr. Ho graduated from The Chinese University of Hong Kong with a Bachelor's Degree in Professional Accountancy. He is a practicing member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants in the United Kingdom.

# Corporate Governance Report

The Board of Directors (the “**Board**”) of Dukang Distillers Holdings Limited (the “**Company**”) is committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries (the “**Group**”) by adopting and complying, where possible, with the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) which is effective in respect of the Company’s Annual Report for the financial year ended 30 June 2020 (“**FY2020**”), guideline 2.4 of the Code of Corporate Governance 2012 which is applicable prior to 1 January 2022, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Company recognises that good corporate governance establishes and maintains a legal and ethical environment, which is essential for preserving and enhancing the interests of all stakeholders. This report describes the corporate governance framework and practices of the Company that were in place throughout the financial year under review, with reference to the Code. The Board confirms that the Company has complied in all material respects with the principles and provisions in the Code, where they are applicable, relevant and practicable to the Group. Where there is any deviation from any provisions of the Code, an explanation has been provided in this report for the variation and how the practices adopted by the Group are consistent with the intent of the relevant principle. This report should be read in totality, instead of being read separately under each principle of the Code.

## BOARD MATTERS

### THE BOARD’S CONDUCT OF ITS AFFAIRS

#### **PRINCIPLE 1: THE COMPANY IS HEADED BY AN EFFECTIVE BOARD WHICH IS COLLECTIVELY RESPONSIBLE AND WORKS WITH MANAGEMENT FOR THE LONG-TERM SUCCESS OF THE COMPANY.**

The Board, in addition to its statutory responsibilities, is primarily and collectively responsible for overseeing and supervising the management of the business and corporate affairs to ensure proper conduct of the business, affairs and the overall performance of the Group and long-term success of the Company to protect and enhance long-term shareholders’ value. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The functions of the Board include:

1. providing effective leadership, guiding and setting the strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;
2. advising Management on major policy initiatives and significant issues and approving board policies, strategies and financial targets of the Company;
3. approving the Group’s annual budgets, key operational matters, investment and divestment proposals, major funding proposals, corporate or financial restructuring, material acquisitions and disposal of assets, interested person transactions of a material nature and convening of shareholders’ meetings;
4. reviewing the adequacy and effectiveness of the risk management systems and internal controls, including information technology controls, financial, operational and compliance controls, and to ensure that the areas of concern are addressed and recommendations of the Internal Auditors/Audit Committee (“**AC**”) are implemented and monitor the progress of implementation;
5. approving all Board appointments or re-appointments and appointments of key management personnel as well as evaluating their performance and reviewing their compensation packages;
6. overseeing the proper conduct of the Company’s business, setting the Group’s values and standards (including ethical standards) to ensure that obligations to shareholders and other stakeholders are understood and met and reviewing the corporate governance processes;

# Corporate Governance Report

7. reviewing the performance of Management and the Group towards achieving adequate shareholders' value, including but not limited to, the declaration of proposed interim and final dividends (if applicable), approval of announcement relating to financial results of the Group and the audited financial statements, release of annual reports and timely announcements of material transactions;
8. identifying the key stakeholder groups and recognise that their perceptions affect the Company's reputation; and
9. considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

## Provision 1.1 – Director's conflict of interest

All Directors exercise due diligence and independent judgement in discharging their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. There are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. Where a Director has a conflict of interest, or it appears that he might have a conflict of interest, in relation to any matter, he is required to send a written notice to the Company containing details of his interest and the conflict, or to declare such interest at a meeting of the Directors (or in written resolutions to be passed), and recuse himself from participating in any discussion and decision on the matter. Where relevant, the Directors have complied with such requirement, and such compliance is duly recorded in the minutes of meeting and/or Directors' Resolutions in writing.

## Provision 1.2 – Induction and training of Directors

Newly appointed Executive Directors will be provided with Service Agreements setting out their term of office and terms of appointment. The Service Agreement, subject to the RC's recommendations, can be renewed for another three years after the expiry of the first term. For Non-Executive Directors, formal letters of appointment setting out their terms of appointment will be issued to new appointees to the Board.

All Directors, including newly appointed Directors, will receive an orientation that includes briefings by Management on the Group's structure, history, business, operations, visions, values and policies. Directors also have the opportunity to visit the Group's operational facilities and to meet with Management so as to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a listed company in Singapore, will undergo the necessary training. For FY2020, the Company did not appoint any new Director and/or first-time Director. To keep the Directors abreast of new laws, regulations, changing commercial risks and accounting standards, all Directors engage in constant dialogues with Management and professionals from time to time. On an ongoing basis, the Board is updated on any amendments and requirements of the SGX-ST and other statutory changes to regulatory requirements which may have an important bearing on the Company and the Directors' obligations to the Company, from time to time, or during Board meetings by the Company Secretary or at separate seminar on the amendments and requirements of the SGX-ST and other statutory and regulatory changes which may have an important bearing on the Company and the Directors' obligation from time to time.

## Provision 1.3 – Matters requiring Board's approval

The matters reserved for the Board's decision and the types of material transactions that are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business, are as follows:

- Quarterly (if applicable), half-year and full year financial results;
- The Group's strategic plans including long-term strategic plans;
- The Group's annual operating plan and budget;
- Potential joint venture, merger, acquisition, divestment or other changes in the Company's assets, if any;
- Management changes or changes in effective control of the Company, if any;



# Corporate Governance Report

- Firm evidence of significant improvement or deterioration in near term earnings prospects, if any;
- Subdivision of shares or stock dividends, if any;
- Acquisition or loss of significant contract, if any;
- Significant new product or discovery, if any;
- Public or private sale of significant amount of additional securities of the Company, if any;
- Share Buyback, if any;
- Share Option or share schemes, if any;
- Scrip Dividend Scheme, if any;
- Interested Person Transactions, if any;
- Provision or receipt of a significant amount of financial assistance, if any;
- Occurrence of an event of default under debt or other securities or financing or sale agreements, if any;
- Significant litigation, if any;
- Significant change in capital investment plans e.g. building of factories, increasing plant and machinery and increasing production lines, if any;
- Significant dispute(s) with customers or suppliers, or with any parties, if any;
- Material financial loss/damage caused by disaster and/or loss of credibility arising from corporate scandals and other fraudulent activities pursuant to any reports received under the Whistle Blowing Policy adopted by the Company, if any;
- Appointment and removal of Secretary, if any;
- Tender offer for another company's securities, if any;
- Valuation of the Group's assets that has a significant impact on the Group's financial position and/or performance;
- Involuntary striking-off of the Company's subsidiaries;
- Any investigation on a Director or an Executive Officer of the Company;
- Loss of a major customer or a significant reduction of business with a major customer; and
- Major disruption to supply of critical goods or services.

## Provision 1.4 – Delegation by the Board

Certain functions have been delegated by the Board to various Board Committees, namely the AC, the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”), which operate under clearly defined terms of reference and review on a regular basis to ensure their continued relevance. The responsibilities and authority of the Board Committees set out in their respective terms of reference were revised in FY2020 to align with the Code. The effectiveness of each Board Committee is also constantly monitored. All Board Committees are chaired by an Independent Director and all of the members are Independent Directors.

The Board accepts that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board.

As at the date of this report, the Board comprises six members holding the following offices:

<b>Name</b>	<b>AC</b>	<b>RC</b>	<b>NC</b>
Zhou Tao (Executive Chairman and Chief Executive Officer)	–	–	–
Huo Lei (Executive Director)	–	–	–
Ho Teck Cheong (Independent Director)	C	M	M
Chia Seng Hee, Jack (Independent Director)	M	C	C
Tan Siok Sing (Calvin) (Lead Independent Director)	M	M	M
Jia Guobiao (Non-Executive and Non-Independent Director)	–	–	–

### **Notes:**

C – Chairman  
M – Member

No alternate Director was appointed to the Board in FY2020.

# Corporate Governance Report

## Provision 1.5 – Board processes, including Directors’ attendance at meetings

Following the amendments to Rule 705 of the Listing Manual of SGX-ST (“**Listing Manual**”) which came into effect on 7 February 2020, the Company is not required to announce its unaudited financial statements for the first quarter and the third quarter of its financial year (“**Quarterly Reporting**”).

The Board had announced on 21 April 2020 informing the Shareholders that the Company ceased to continue with its Quarterly Reporting in consideration that the cessation of Quarterly Reporting would reduce compliance costs and resources required to prepare financial statements on a quarterly basis and is of the view that a half-yearly financial reporting cycle, coupled with continued compliance with the enhanced disclosure requirements under the Listing Manual which also came into effect on 7 February 2020, would be adequate to keep the Group’s Shareholders informed of its state of affairs.

Notwithstanding the foregoing, the Company had announced its first quarter, second quarterly and full year results for FY2020. Going forward, it will continue to announce its half-yearly and full year financial statements in accordance with the Listing Manual and keep Shareholders updated on material developments relating to the Group, as and when appropriate.

The Board and Board Committees’ meetings are scheduled in advance to coincide with the announcement of the Group’s first quarter, second quarter and full year results for FY2020. Additional Board meetings will be convened when they are deemed necessary to address any significant issues that may arise in between the scheduled meetings. The Company’s Bye-laws and Board Committees’ terms of reference provide for Board and Board Committees’ meetings to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. The Board and Board Committees also circulate written resolutions, when necessary, for approval by the relevant members of the Board and Board Committees.

In addition, at least once a year, the Board holds its Board and/or Board Committees’ meetings at the Group’s sites or where it has business presence and/or an AC member who is an Independent Director will visit the Group’s sites and conduct physical inspection on the Group’s property, plant and equipment. This allows the Board to develop a good understanding of the Group’s businesses and promote active engagement with the Group’s key management team.

Directors may request further explanations, briefing or discussion from Management on any aspect of the Group’s operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

The number of Board and Board Committees’ meetings and general meetings, i.e. annual general meeting (“**AGM**”) and special general meeting (“**SGM**”), held from 1 July 2019 to 30 June 2020 as well as the details of Directors’ attendance at those meetings are summarised in the table below:

Name of Directors	General meetings						Board Committees’ meetings					
	AGM		SGM		Board		AC		RC		NC	
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Zhou Tao	1	1	-	-	3	3	-	-	-	-	-	-
Huo Lei	1	1	-	-	3	3	-	-	-	-	-	-
Tan Siok Sing (Calvin)	1	1	-	-	3	3	3	3	1	1	1	1
Chia Seng Hee, Jack	1	1	-	-	3	3	3	3	1	1	1	1
Ho Teck Cheong	1	1	-	-	3	3	3	3	1	1	1	1
Jia Guobiao	1	1	-	-	3	2	-	-	-	-	-	-

# Corporate Governance Report

## Provision 1.6 – Complete, adequate and timely information

Board members are provided with complete, adequate and timely information on Board affairs and issues that require the Board's decision in order for them to make informed decisions. Information included background or explanatory information relating to matters to be brought before the Board, and an analysis on the Group's sales revenue, gross profit margins, advertising and promotion expenses, financial expenses and turnover ratio. To assist the Directors in discharging their duties, Management provides reports and financial statements to the Board on a regular basis. Board and Board Committees' papers are sent to Directors at least three working days before each meeting so that the Directors may better understand the matters prior to the meetings and discussions may be focused on questions that the Directors may have on these matters. Financial highlights of the Group's performance and development are presented on a quarterly basis at Board meetings. The Group's CEO, Senior Management, and the Financial Controller are present at these presentations to address any queries which the Board may have. Directors are entitled to request from Management and be provided with additional information as required in order for them to make informed decisions.

## Provision 1.7 – Company Secretaries and independent professional advice

All Directors have independent access to the Group's Senior Management and the Company Secretaries. All Directors are provided with complete and adequate information prior to Board meetings and on an ongoing basis. The Company Secretaries provides secretarial support to the Board, ensure adherence to Board and Board Committees' procedures and relevant rules and regulations which are applicable to the Company are complied with. Under the direction of the Chairman, the Company Secretaries also ensure sufficient and pertinent information flows within the Board and its Board Committees and between Management and Non-Executive Directors. At least one of the Company Secretaries attends all Board and Board Committees' meetings. The appointment and the removal of the Company Secretaries is a matter reserved for the Board.

Where decisions to be taken require expert opinion or specialised knowledge, the Directors, either as a group or individually, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor, if required, is subject to approval by the Board.

## **BOARD COMPOSITION AND GUIDANCE**

### **PRINCIPLE 2: THE BOARD HAS AN APPROPRIATE LEVEL OF INDEPENDENCE AND DIVERSITY OF THOUGHT AND BACKGROUND IN ITS COMPOSITION TO ENABLE IT TO MAKE DECISIONS IN THE BEST INTERESTS OF THE COMPANY.**

#### Provisions 2.1 and 4.4 – Directors' independence review

An "independent" Director is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Company.

For FY2020, the Board, with the concurrence of the NC, had adopted a declaration of independence pursuant to Provision 2.1 of the Code and Rule 210(5)(d) of the SGX-ST Listing Manual ("**Revised Definition on Director's Independence**").

#### Provisions 2.2 and 2.3 – Composition of (i) Independent Director and (ii) Non-Executive Directors on the Board

Presently, the Board comprises two Executive Directors and four Non-Executive Directors, three of whom are independent. Pursuant to Provision 2.3 of the Code, the Non-Executive Directors of the Company make up a majority of the Board.

# Corporate Governance Report

Although the Independent Directors do not make up a majority of the Board where the Chairman is not independent, being a variation from Provision 2.2 of the Code, the Non-Executive Directors make up a majority of the Board and the Independent Directors make up at least half of the Board. As such, the Board is satisfied that it is able to exercise objective judgement on corporate affairs independently and no individual or select group of individuals are allowed to dominate the Board's decision making process. Accordingly, there is a strong and independent element on the Board and consistent with the intent of principle 2, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

## Provision 2.4 – Composition of the Board and Board Committees, and Board Diversity Policy

The Company is committed to building a diverse, inclusive and collaborative culture. It recognises that a diverse Board of an appropriate size is an important element which will better pave the way for the Company to achieve its strategic objectives for sustainable development, avoid groupthink and foster constructive debate. A diverse Board also enhances the decision making process through perspectives derived from differentiating skillsets, business experience, industry discipline, gender, age and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

The size and composition of the Board are reviewed annually by the NC to ensure that it is appropriate so as to facilitate effective decision-making. When reviewing the composition of the Board, the NC will also take into consideration that there is an appropriate mix of expertise and experience and the Board members collectively possess the relevant skills which the Group may tap on for assistance in furthering its business objectives.

Pursuant to Provision 2.4 of the Code, the Board has adopted a Board Diversity Policy. Having regard to the guidelines in the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, take into account factors, including but not limited to gender, age, nationality, cultural background, educational background, experience, skillset, knowledge, independence and length of service. These differentiating factors will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately.

Any external search consultants, if required, engaged to assist the Board or the NC to search for candidates for appointment to the Board will be specifically directed to include candidates from diverse backgrounds and female candidates. The decision on the selection of Director(s) to be appointed on the Board will ultimately be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board.

The NC, with the concurrence of the Board, is of the opinion that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

As a group, the members of the Board bring with them an appropriate balance and diversity of skills, experience and knowledge of the Group. Their core competencies include accounting, finance, business, industry and management experience, strategic planning experience and are familiar with regulatory requirements. The diversity of the Directors' experience allows for the useful exchange of ideas and views. All Directors have extensive experience in jurisdictions outside Singapore, specifically the People's Republic of China ("PRC").

Whilst the current Board does not have gender diversity, this is an important aspect of the NC and Board's consideration, should there be any proposed new appointment(s) of member(s) to the Board. New Director(s), if any, will continue to be selected based on the Board Diversity Policy as part of the process for appointment of new Directors. The NC will evaluate the suitability of the nominee or candidate based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board before making its recommendations to the Board.

No individual or select group of individuals dominates the Board's decision-making process. The Board also obtains views from its Independent Directors. The Chairman of the Board establishes boundaries of risk undertaken by the Group and ensures the governance system is in place and regularly evaluated which the Board is of the opinion that there is a strong and independent element on the Board.



# Corporate Governance Report

The NC will review the Board Diversity Policy from time to time as appropriate, to ensure the effectiveness of this policy. The NC will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Key information regarding the Directors is set out on pages 10 and 11 in the “Board of Directors” section of the Annual Report.

## Provision 2.5 – Role of the Non-Executive Directors

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management’s performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group’s business. When challenging Management’s proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and/or other complexities.

The Independent Directors and the Non-Executive and Non-Independent Director meet frequently without the presence of the other Directors and Management, or communicate via emails or telephone discussions on issues concerning the Company and will provide feedback to the Chairman, where necessary, after such meetings or communications.

## **CHAIRMAN AND CEO**

**PRINCIPLE 3: THERE IS A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND MANAGEMENT, AND NO ONE INDIVIDUAL HAS UNFETTERED POWERS OF DECISION-MAKING.**

## Provisions 3.1 and 3.2 – Chairman and CEO

Mr. Zhou Tao, being the Executive Chairman and the CEO of the Company, plays a key role in developing the business of the Group and provides the Group with strong leadership and vision.

As the CEO, Mr. Zhou Tao is responsible for the Group’s overall business strategies and policies, including but not limited to, the day-to-day running of the Group’s operations while his principal duties and responsibilities as the Executive Chairman include:

- leading the Board to ensure its effectiveness on all aspects of its roles;
- scheduling meetings for the Board to discharge its duties, including setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Promoting a culture of openness and debate at the Board;
- coordinating activities of the Independent Directors and Non-Executive Directors and facilitate the effective contribution of Non-Executive Directors;
- exercising control over quality, quantity and timeliness of the flow of information between the management and the Board to ensure that the Directors receive complete, adequate and timely information;
- encouraging constructive relations within the Board and between the Board and Management;
- ensuring effective communication with shareholders; and
- promoting high standards of corporate governance.

Although the roles and responsibilities of both the Executive Chairman and the CEO are vested in Mr. Zhou Tao, being a deviation from the Provision 3.1 of the Code, the Board believes that vesting the roles of both Executive Chairman and CEO in the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and thus allows for more effective planning and execution of long-term business strategies. As the Group’s business and operations are based in the PRC, Mr. Zhou’s dual role as Executive Chairman and CEO will enable the Group to conduct its business more efficiently and ensure that the decision-making process of the Group would not be unnecessarily hindered.

# Corporate Governance Report

Nonetheless, any major decisions made by Mr. Zhou Tao are required to be reviewed and approved by the Board. Should Mr. Zhou Tao face any conflict of interest in the proposed transaction, he is required to recuse himself from discussions and decisions involving the issues of conflict. He is also required to avoid situations in which his own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. In addition, the Non-Executive Directors of the Company make up a majority of the Board and the Independent Directors make up at least half of the Board. As such, consistent with the intent of Principle 3 of the Code, the Board believes that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on collective decision without any individual exercising any considerable concentration of power of influence. Accordingly, there is a balance of power and authority and, therefore, no one individual has unfettered powers and can control/dominate the decision-making process of the Company. The Board is not considering separating the roles of the Executive Chairman and the CEO at this moment. The NC will review the need to separate these roles from time to time and make its recommendations when necessary.

## Provision 3.3 – Lead Independent Director

Taking cognizance that the Chairman and the CEO are the same person, the Board has appointed Mr. Tan Siok Sing (Calvin) as Lead Independent Director (“LID”) on 1 June 2015, in accordance with the provisions of the Code. Mr. Tan is available to shareholders and any other persons where they have concerns and for which contact through the normal channels of the Chairman and CEO or the Financial Controller has failed to resolve or is inappropriate. He will also facilitate periodic meetings with the other Independent Directors on board matters, when necessary and provides feedback to the Executive Chairman after such meetings.

His other specific roles as LID are as follows:

- a) act as liaison between the Independent Directors and the Executive Chairman and CEO, and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Executive Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- b) advise the Executive Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and
- c) assist the Board and the Company’s officers in better ensuring compliance with and implementation of corporate governance.

## **BOARD MEMBERSHIP**

### **PRINCIPLE 4: THE BOARD HAS A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS, TAKING INTO ACCOUNT THE NEED FOR PROGRESSIVE RENEWAL OF THE BOARD.**

#### Provisions 4.1 and 4.2 – NC’s duties and composition

The terms of reference of the NC provide that the NC shall comprise at least three members and the LID shall be a member. The NC comprises all Independent Directors and its composition is as follows:

Chia Seng Hee, Jack (Independent Director)	- NC Chairman
Tan Siok Sing (Calvin) (LID)	- NC Member
Ho Teck Cheong (Independent Director)	- NC Member

The NC is regulated by a set of written terms of reference, which are in line with the provisions of the Code. The NC is responsible for, including but not limited to, the following key terms of reference:

1. regularly and strategically reviewing the Board and Board Committees structure, size and composition (including the skills, gender, age, qualification, experience and diversity) and making recommendations to the Board with regard to any adjustments that are deemed necessary.

# Corporate Governance Report

2. identifying and nominating candidates to fill Board vacancies as they occur by considering candidates (i) from a wide range of backgrounds, (ii) their own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board (whether the candidate add diversity to the Board and are likely to have adequate time to discharge their duties), (iii) the composition and progressive renewal of the Board and Board Committees, and (iv) appoint an independent third party to source and screen candidates, if necessary. Before recommending an appointee to the Board, appointee will be requested by NC to disclose any existing or expected future business interest that may lead to a conflict of interest.
3. determining annually, on a discretionary basis, whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors.
4. in respect of a director who has multiple board representations on various companies, deciding whether or not such director is able to and has been adequately carrying out his/her duties as a director, having regard to the competing time commitments that are faced when serving on multiple boards of listed companies and other principal commitments and recommending to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards.
5. reviewing the succession plans for Board Chairman, Directors, CEO and Key Management Personnel of the Company.
6. determining how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term Shareholders' value.
7. developing the performance evaluation framework for the Board, the Board Committees and individual Directors. The NC also propose objective performance criteria for the Board, the Board Committee and individual Directors. It conducts the evaluations, analyses the findings and reports the results to the Board and recommending areas that need improvement. This process can be assisted by independent third party facilitators.
8. identifying and developing training programmes/schedules for the Board and assist with similar programmes for the Board Committees. The NC will ensure that all Board appointees undergo appropriate induction programmes.
9. keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.

## Provision 4.3 - Process for selection and appointment of new Directors

The NC has adopted a process for selection and appointment of new Directors which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability. The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process, such qualities and attributes that may be required by the Board, before making its recommendation to the Board. The Board believes that contributions from each Director go beyond his/her attendance at Board and Board Committees' meetings.

Newly appointed Executive Directors will be provided with Service Agreements setting out their term of office and terms of appointment. The Service Agreements, subject to the RC's recommendations, can be renewed for another three years after the expiry of the first term. For Non-Executive Directors, formal letters of appointment setting out their terms of appointment will be issued to new appointees to the Board.

# Corporate Governance Report

## Provision 4.3 – Process for re-election/re-appointment of Directors

Pursuant to Bye-law 86(1) of the Company's Bye-laws, every Director is required to retire at least once every three years and, shall be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy is required to retire at the next AGM following his/her appointment and shall then be eligible for re-election at that meeting pursuant to Bye-law 85(6) of the Company's Bye-laws.

The NC, having considered the attendance and participation of the following Directors at Board and Board Committees' meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Ho Teck Cheong, Mr. Huo Lei, Mr. Jia Guobiao and Mr. Zhou Tao who will be retiring by rotation pursuant to Bye-law 86(1) of the Company's Bye-laws at the forthcoming AGM. Mr. Ho Teck Cheong, Mr. Huo Lei, Mr. Jia Guobiao and Mr. Zhou Tao had consented to continue in office and the Board had accepted the recommendation of the NC.

Mr. Ho Teck Cheong will, upon re-election as a Director of the Company, remain as Chairman of the AC and a member of the NC and RC, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The Directors concerned will abstain from deliberation and voting on any resolution and making any recommendation and/or participate in respect of their own re-election at the respective NC and Board meetings.

The requirements under Rule 720(6) of the SGX-ST Listing Manual are set out in the Annual Report on pages 108 to 111.

## Provision 4.4 – Review of Directors' Independence

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted a declaration of independence form pursuant to the Revised Definition on Director's Independence ("**Declaration of Independence Form**"). In addition, the NC requires each Non-Executive Director to assess his own independence by completing a Declaration of Independence Form and state whether he considers himself independent despite having any of the relationships identified in the Code which would deem him not to be independent, if any.

For FY2020, the NC had reviewed the independence of the independent directors and determined Mr. Tan Siok Sing (Calvin), Mr. Ho Teck Cheong and Mr. Chia Seng Hee, Jack to be independent and free from any of the relationships outlined in the Code. The Directors had confirmed their own independence. The Board concurred with the NC's views.

Mr. Jia Guobiao is considered a Non-Executive and Non-Independent Director as he is deemed to be directly associated with a substantial shareholder, Treasure Winner Holdings Limited.

Save as disclosed, none of the Directors on the Board are related and do not have any relationship with the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements.

Mr. Tan Siok Sing (Calvin), Mr. Ho Teck Cheong and Mr. Chia Seng Hee, Jack have served on the Board for more than nine years from the date of their first appointment. The NC had conducted a rigorous review of their independence and contributions to the Board to determine if they still remain independent and carry out their duties objectively, taking into account the need for progressive refreshing of the Board. The review included but was not limited to the completion of a detailed questionnaire of their independence with a mixture of close-ended and open-ended questions in respect of whether there are any conflicts of interest or relationship that is/are likely to affect their independence; whether they continue to express his views objectively and seek clarification and amplification when deemed necessary; whether they continue to debate issues objectively; whether they continue to scrutinise and challenge Management on important issues raised at meetings and whether they are able to bring judgement to bear in the discharge of his duties as a Board member and committee member. The questionnaire was completed by each of the Director concerned.



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The Board had observed the performance of Mr. Tan Siok Sing (Calvin), Mr. Ho Teck Cheong and Mr. Chia Seng Hee, Jack at Board and Board Committees' meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties. Hence, the Board, with the concurrence of the NC, having considered the Declaration of Independence Forms for FY2020 and the completed questionnaire of Independence submitted by each of the Director concerned, concluded that they are independent in character and judgement despite having been on the Board for more than 9 years and free from any relationships outlined in the Code. The Board acknowledges their combined strength of characters, objectivity and wealth of useful and relevant experience bring themselves to continue effectively as Independent Directors of the Company. The Board also acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors and wishes to retain them for their strength of character, objectivity and wealth of extensive business experience, and their knowledge on the Group's business which would enable them to be effective Independent Directors, notwithstanding their long tenure.

Each of the Independent Director had recused themselves from the NC's and the Board's deliberations on their own independence.

## Provision 4.5 – Directors' time commitments and multiple Directorships

The NC had reviewed the multiple-board seats held by the Non-Executive Directors in listed companies to determine if they had been adequately carrying out their duties as a Director of the Company. The NC, having considered the confirmations received by the Non-Executive Directors, the details of their other commitments and multiple-board seats, and their contributions during the workings of the Board, is of the view that such multiple board representations do not hinder each Non-Executive Director from carrying out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

To allow for flexibility, there will not be a fixed maximum number of listed company board representations which Directors may hold. The NC and the Board are of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each company will vary.

The NC and the Board will review the number of listed company board representations of the Directors from time to time.

Directorships or chairmanships held by the Company's Directors in other listed companies are as follows:

Name of Director <sup>(1)</sup>	Date of first appointment / last re-election	Directorships in other listed companies	
		Current	Past 3 Years
Zhou Tao (Executive Chairman and CEO)	28 February 2008 / 27 October 2017	Nil	Nil
Huo Lei (Executive Director)	1 September 2014 / 27 October 2017	Nil	Nil
Jia Guobiao (Non-Executive and Non-Independent Director)	14 February 2014 / 27 October 2017	Nil	Nil
Tan Siok Sing (Calvin) (Lead Independent Director)	26 June 2008 / 26 October 2018	EuroSports Global Limited Libra Group Limited	Changtian Plastic & Chemical Limited <sup>(2)</sup> Qingmei Group Holdings Limited <sup>(3)</sup>
Ho Teck Cheong (Independent Director)	1 April 2011 / 27 October 2017	Singamas Container Holdings Limited <sup>(4)</sup>	Nil

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Name of Director <sup>(1)</sup>	Date of first appointment / last re-election	Directorships in other listed companies	
		Current	Past 3 Years
Chia Seng Hee, Jack (Independent Director)	26 June 2008 / 26 October 2018	Debao Property Development Ltd. mm2 Asia Ltd. Ying Li International Real Estate Limited CDW Holding Limited	AGV Group Limited <sup>(5)</sup> Shanghai Turbo Enterprises Ltd. <sup>(6)</sup> Lifebrandz Ltd. <sup>(7)</sup> Combine Will International Holdings Limited <sup>(8)</sup>

- (1) The principal commitment of the Directors, if any, is set out in the “Board of Directors” section in this Annual Report.  
 (2) Delisted on 31 October 2017.  
 (3) Delisted on 19 August 2019.  
 (4) Listed on The Stock Exchange of Hong Kong Limited.  
 (5) Resigned with effect from 2 May 2018.  
 (6) Resigned with effect from 1 October 2018.  
 (7) Retired with effect from 22 November 2018.  
 (8) Retired with effect from 16 June 2020.

## BOARD PERFORMANCE

### PRINCIPLE 5: THE BOARD UNDERTAKES A FORMAL ANNUAL ASSESSMENT OF ITS EFFECTIVENESS AS A WHOLE, AND THAT OF EACH OF ITS BOARD COMMITTEES AND INDIVIDUAL DIRECTORS.

#### Provisions 5.1 and 5.2 – Assessments of the Board, Individual Directors and the Chairman, and the Board Committees

The Board has implemented a process for assessing its effectiveness as a whole as well as the contribution by each Director to the Board, and of each of its Board Committee separately on an annual basis.

The NC reviews the criteria for evaluating the Board’s performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders’ value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and self-assessment of each individual director and the Chairman, and its Board Committees to the effectiveness of the Board.

For FY2020, the NC has conducted the assessments on the effectiveness of the Board as a whole and self-assessment of each individual Directors and the Chairman where each Director is required to complete his self-evaluation based on the (1) understanding of Company’s mission, vision and values; (2) corporate governance; (3) business development efforts; (4) training attendance; (5) whether targets were met by Board (for Executive Director only) or maintenance of independence for Independent Directors (For Independent Directors only) and/or devotion of sufficient time (for Non-Executive Directors) and the following key performance criteria of the Board:

- Board composition;
- Board information;
- Board process;
- Board accountability; and
- Performance benchmark/Standards of Conduct.

The Chairman of respective Board Committees are required to complete a questionnaire on the effectiveness of these Board Committees.

The assessments/questions were collated and the findings analysed and discussed, with a view to implementing certain recommendations to further enhance the effectiveness of the Board and the Board Committees.

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The NC was generally satisfied with the results of the evaluation for the performance of the Board and the individual directors, and the respective Board Committees for FY2020, which indicated areas that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

To-date, no external facilitator has been engaged.

## REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**PRINCIPLE 6: THE BOARD HAS A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICIES ON DIRECTORS AND EXECUTIVE REMUNERATION, AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS AND KEY MANAGEMENT PERSONNEL. NO DIRECTOR IS INVOLVED IN DECIDING HIS OR HER OWN REMUNERATION.**

#### Provisions 6.1 and 6.2 – RC's duties and composition

The terms of reference of the RC provide that the RC shall comprise at least three members and all of whom shall be Non-Executive Directors. The RC comprises all Independent Directors and its composition is as follows:

Chia Seng Hee, Jack (Independent Director)	- RC Chairman
Tan Siok Sing (Calvin) (LID)	- RC Member
Ho Teck Cheong (Independent Director)	- RC Member

The RC is regulated by a set of written terms of reference, which are in line with the provisions of the Code. The RC is responsible for, including but not limited to, the following key terms of reference:

1. taking into account all relevant legal and regulatory requirements, including the principles and provisions of the Code, when determining the Company's remuneration policies. It should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals.
2. ensuring that the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.
3. setting the remuneration policy for Directors and key management personnel as well as monitoring the level and structure of remuneration for key management personnel relative to the internal and external peers and competitors.
4. ensuring that the remuneration of the Non-Executive Directors is appropriate to the level contribution, taking into account factors such as effort, time spent, responsibilities and reviewing the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subjected to the review and approval of the RC.
5. obtaining reliable, up-to-date information on the remuneration packages of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information. These would be at the expense of the Company, subject to the budgetary constraints imposed by the Board.

# Corporate Governance Report

6. overseeing any major changes in employee benefits or remuneration structures.
7. reviewing the design of all long-term and short-term incentive plans for approval by the Board and shareholders.
8. ensuring that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded.
9. setting performance measures and determining targets for any performance-related pay schemes operated by the Company.

## Provisions 6.3 and 6.4 – Remuneration framework and engagement of remuneration consultants, if any

The scope of the RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Directors are aligned with that of the shareholders. The recommendation of the RC for the Directors' remuneration would be submitted to the Board for endorsement. No Director or member of the RC is involved in deciding his own remuneration.

If required, the RC will seek expert advice inside and/or outside of the Company on remuneration of all Directors and Key Management Personnel. The Company did not engage any remuneration consultant for FY2020.

Mr. Zhou Tao had entered into a Service Agreement as Deputy Chairman and CEO with the Company for an initial term of 3 years commencing from 5 September 2008 which was subject to review and renewal upon expiry or unless terminated by either party giving not less than three months' notice to the other. His Service Agreement was subsequently renewed on 4 September 2011 for a period of 3 years with no changes in the terms and conditions, save for his remuneration when he was re-designated Executive Chairman cum CEO on 28 March 2013, and was further extended for another 3 years commencing from 4 September 2014. Mr. Zhou's Service Agreement had been renewed for another 3 years commencing from 4 September 2017. His Service Agreement had been subsequently renewed for another 3 years commencing 4 September 2020, with no changes in the terms and conditions.

Mr. Huo Lei, an Executive Director of the Company, had entered into a Service Agreement with the Company for an initial term of 3 years commencing from 1 September 2014 which was subject to review and renewal upon expiry on 31 August 2017 or unless terminated by either party giving not less than three months' notice to the other. Mr. Huo's Service Agreement had been subsequently renewed for a period of 3 years commencing from 1 September 2017, with no changes in the terms and conditions. His Service Agreement was subsequently renewed on 1 September 2020 for a period of 3 years with no changes in the terms and conditions.

The Company does not have any contractual provisions which allow the Company to reclaim incentive components of remuneration from Executive Directors and/or Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company as such provisions will stifle the Company's ability to effectively attract and retain the right individuals.

## **LEVEL AND MIX OF REMUNERATION**

### **DISCLOSURE ON REMUNERATION**

**PRINCIPLE 7: THE LEVEL AND STRUCTURE OF REMUNERATION OF THE BOARD AND KEY MANAGEMENT PERSONNEL AND APPROPRIATE AND PROPORTIONATE TO THE SUSTAINED PERFORMANCE AND VALUE CREATION OF THE COMPANY, TAKING INTO ACCOUNT THE STRATEGIC OBJECTIVES OF THE COMPANY.**

# Corporate Governance Report

## **PRINCIPLE 8: THE COMPANY IS TRANSPARENT ON ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, THE PROCEDURE FOR SETTING REMUNERATION, AND THE RELATIONSHIPS BETWEEN REMUNERATION, PERFORMANCE AND VALUE CREATION.**

### Provisions 7.1 to 7.3 – Level and mix of remuneration

In reviewing and determining the remuneration packages of the Executive Directors and Key Management Personnel, the RC takes into consideration the prevailing economic situation, skills, expertise and contribution to the individual and Company's performance, the pay and employment conditions within the industry and in comparable companies. The remuneration packages are set such that the Directors and Key Management Personnel are adequately but not excessively remunerated.

### Provisions 8.1 to 8.3 – Directors' remuneration/fees and remuneration of the Group CEO and remuneration of the top five key management personnel (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel

### Framework for remuneration of Executive Directors and Key Management Personnel

The remuneration packages of the Executive Directors and other key management personnel consist only fixed components. The fixed component consists of a basic salary and annual wage supplement. To ensure that the remuneration packages of Executive Directors and Key Management Personnel is consistent and comparable with market practice, the RC regularly compares this fixed component with those of companies in similar industries, while continuing to be mindful of the fact that there is a general correlation between increased remuneration and incentives, and improvement in performance.

A significant and appropriate proportion of the remuneration of executive directors and key management personnel is structured so as to link rewards with the achievement of corporate and individual performance targets in an objective and equitable way and reflects the degree of responsibility held by each employee. The Group seeks to ensure that the variable component is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

To ensure that the level and structure of remuneration is proportionate to the sustained performance and value creation of the Group, the Company has put in place a framework of remuneration for its executive directors and key management personnel. The key areas of focus of the remuneration framework and details of the implementation within the Group are set out below:

#### Key Areas of Focus Details

- |                                |   |
|--------------------------------|---|
| Pay for performance            | <ul style="list-style-type: none"><li>• Instil and drive a pay-for-performance culture</li><li>• Ensure that remuneration is closely linked to annual and long-term business objectives</li><li>• Set, communicate and monitor key performance targets and indicators</li><li>• Adjust the proportion of fixed and variable remuneration to emphasise sustainable performance that is aligned with the Group's strategic objectives, considering qualitative and quantitative factors</li></ul> |
| Competitive remuneration       | <ul style="list-style-type: none"><li>• Benchmark total remuneration against other organisations of similar size and standing in the Group's industry</li></ul>   |
| Accountability and Risk-taking | <ul style="list-style-type: none"><li>• Focus on achieving risk-adjusted returns that are consistent with prudent risk taking and capital management as well as emphasis on long-term sustainable outcomes</li></ul>  |



# Corporate Governance Report

## Remuneration of Non-Executive Directors

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as efforts and time spent, and responsibilities of the Directors, as well as attendance at meetings. They are not over-compensated to the extent that their independence may be compromised. Other than Directors' fees, which are subject to shareholders' approval at every AGM, the Non-Executive Directors do not receive any other forms of remuneration from the Company. The RC had recommended to the Board an amount of S\$310,000 as Directors' fees for the year ending 30 June 2021 ("FY2021"), payable half-yearly in arrears. This recommendation had been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval. The RC would also consider, if necessary, implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders.

The RC had carried out an annual review of the Executive Directors and Key Management Personnel's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. The review considers the Group and individual performance as well as relevant comparative remuneration in the market. For FY2020, the RC reviewed the remuneration packages of the Executive Directors and Key Management Personnel and had recommended the same for Board approval. The Board concurred with the RC's recommendations accordingly.

The annual remuneration band of each individual Director and Key Management Personnel for FY2020 are set out below:

Name	Fees %	Salaries %	Variable/ Performance- related income/ bonus %	Benefits in kind %	Other long-term incentives %	Total %
Below S\$250,000						
<i>Executive Directors:</i>						
Zhou Tao	–	100	–	–	–	100
Huo Lei	–	100	–	–	–	100
<i>Non-Executive Directors:</i>						
Tan Siok Sing (Calvin)	100	–	–	–	–	100
Chia Seng Hee, Jack	100	–	–	–	–	100
Ho Teck Cheong	100	–	–	–	–	100
Jia Guobiao	100	–	–	–	–	100
<i>Key Management Personnel:</i>						
Ho Hin Yip	–	100	–	–	–	100
Shi Dong Kai	–	100	–	–	–	100

Notwithstanding provisions of the Code, as there were only 2 Key Management Personnel (who is not Directors or the CEO) during FY2020, disclosure is only made in respect of the remuneration of these 2 Key Management Personnel. The aggregate remuneration paid to these 2 Key Management Personnel is approximately RMB1.4 million.

There are no termination, retirement and post-employment benefits plan that may be granted to Directors and the top 2 Key Management Personnel (who is not a Director or the CEO) for FY2020.

# Corporate Governance Report

Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our 2 Key Management Personnel, given the highly competitive environment the Group operates in, the Company does not fully disclose the remuneration of each individual Director and the Key Management Personnel. However, disclosures had been provided in applicable bands of S\$250,000 as above, with a breakdown in percentage of the remuneration earned through fees, salary, fixed component, variable component, benefits in kind, and/or other long term incentives. Despite having varied from Provision 8.1(a) of the Code, the Board believes that consistent with the intent of Principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's level and mix of remuneration.

The remuneration packages of the Executive Directors and the Key Management Personnel of the Company and its subsidiaries comprise base salaries.

The Company's employee share option scheme known as the Dukang Employee Share Option Scheme (formerly known as Trump Dragon Employee Share Option Scheme ("ESOS")) had expired after 10 years from the date of approval by the Shareholders on 10 July 2008 and no option of shares were granted since its inception. The Company did not renew the ESOS at the AGM held on 26 October 2018.

For FY2020, there are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000.

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

#### **PRINCIPLE 9: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK AND ENSURES THAT MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK AND MANAGEMENT AND INTERNAL CONTROLS, TO SAFEGUARD THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.**

##### Provision 9.1 – Maintenance of a sound risk management system and internal controls

The Board acknowledges that it is responsible for the overall internal control framework and the maintenance of a sound system of internal controls and an effective risk management system to safeguard shareholders' interests and the Group's assets, including determining the Company's levels of risk tolerance and risk policies.

The Group's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organization and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedures.

The adequacy and effectiveness of the internal control system and procedures at present are monitored by Management. The Company does not have a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Directors. The Group's financial risk management is disclosed under Note 28 of the Notes to the Financial Statements on pages 100 to 104 of the Annual Report.

The AC, with the assistance of the internal and external auditors, reviews on an annual basis the adequacy and effectiveness of the Company's internal controls addressing financial, operational, compliance and informational technology risks, and risk management policies established by Management.

# Corporate Governance Report

The internal and external auditors have, during the course of their audit, carried out a review of the adequacy and effectiveness of key internal controls within the scope of their audit. Any material non-compliance or weaknesses in internal controls noted during their respective audits and their recommendations are reported to the AC. The AC also reviews the adequacy and effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect and ensures that there are adequate and effective internal controls in the Group and recommendations are implemented.

## Provision 9.2 – Written assurance regarding (i) financial records and financial statements and (ii) adequacy and effectiveness of the Group’s risk management and internal control systems

The Board has written received assurance from Mr. Zhou Tao, Executive Chairman and CEO, Mr. Shi Dongkai, General Manager (Finance) and Mr. Ho Hin Yip, Financial Controller and Joint Company Secretary, who are also the key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group that as at 30 June 2020:-

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances;
- (b) to the best of their knowledge, nothing had come to their attention as Management, which would render the interim financial statements to be false or misleading in any aspect;
- (c) they are aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company;
- (d) they are not aware of any known significant deficiencies in the risk management and internal control systems relating to preparation and reporting of financial data, or of any fraud; and
- (e) the internal controls, including financial, operational, compliance and information technology control, and risk management systems are adequate and effective.

The Board aims to provide a balanced and understandable assessment of the Group’s financial performance, position and prospects to the shareholders. Financial results for the first quarter, the half year and the full year ended 30 June 2020 are released to the shareholders within the timeline stipulated in the SGX-ST Listing Manual. All financial information presented in the results announcement or Annual Report have been prepared in accordance with the International Financial Reporting Standards and were reviewed and recommended by the AC and approved by the Board before being released through SGXNET.

In line with the SGX-ST Listing Manual, negative assurance statements were issued by the Board to accompany the Group’s interim financial results announcements, confirming to the best of the Board’s knowledge that nothing had come to their attention which would render the Company’s interim results announcements to be false or misleading in any material aspect. The Company is not required to issue negative assurance statements for its full year results announcement.

The Company has also procured undertakings from all its Directors and Executive Officers in compliance with Rule 720(1) of the SGX-ST Listing Manual.

## Rule 1207(10) of the SGX-ST Listing Manual

Based on the internal controls including financial, operational and compliance controls, established and maintained by the Group, work performed by the internal and external auditors, and reviews undertaken by Management, the AC and the Board are of the opinion that the Group’s internal controls addressing material financial, operational, compliance and information technology risks, and risk management systems are adequate and effective as at 30 June 2020 to meet the needs of the Group, taking into account the nature and scope of its operations. There were no material weaknesses identified by the Board or the AC for FY2020.

# Corporate Governance Report

The Board recognises that no internal control system will preclude all errors and irregularities as a system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure to achieve the Group's objectives. The review of the Group's internal control system is a concerted and continuing process.

## AUDIT COMMITTEE

### PRINCIPLE 10: THE BOARD HAS AN AUDIT COMMITTEE WHICH DISCHARGES ITS DUTIES OBJECTIVELY.

#### Provisions 10.1 to 10.3 and 10.5 – Duties and composition of the AC

The terms of reference of the AC provide that the AC shall comprise at least three members and all of whom shall be Non-Executive Directors. The AC comprises all Independent Directors and its composition is as follows:

Ho Teck Cheong (Independent Director)	- AC Chairman
Tan Siok Sing (Calvin) (LID)	- AC Member
Chia Seng Hee, Jack (Independent Director)	- AC Member

The AC meets at least two times a year and, as and when deemed appropriate, to carry out its functions.

The AC has the authority to investigate any matter within its terms of reference. It has full access to and the co-operation of Management and also full discretion to invite any Director or Executive Officer to attend its meetings and give adequate resources to enable it to discharge its functions properly.

The Board is of the view that the AC members are appropriately qualified and have the necessary recent and relevant accounting or related financial management expertise and experience as the Board interprets such qualification in its business judgement, to discharge their duties and responsibilities. The AC members are not former partners or directors of or have any financial interest in the Company's existing audit firm or corporation.

The AC is regulated by a set of written terms of reference which are in line with the provisions of the Code. The AC is responsible for, including but not limited to, the following under its terms of reference:

1. reviewing the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
2. reviewing and reporting to the Board on the adequacy and effectiveness of the Company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board);
3. reviewing the assurance from the Executive Chairman and CEO, the General Manager (Finance) and the Financial Controller and Joint Company Secretary on the financial records and financial statements;
4. reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
5. reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors (EA). It shall then recommend to the Board the appointment, reappointment and removal of the EA, and its remuneration and terms of engagement;
6. ensuring that the Company complies with the requisite laws and regulations;
7. ensuring that the Company has programmes and policies in place to identify and prevent fraud;

# Corporate Governance Report

8. overseeing the establishment and operation of the whistleblowing process in the Company; and
9. review all Interested Person Transactions (“**IPTs**”) and Related Party Transactions.

## Summary of the AC’s activities in FY2020

The AC meets with the Group’s internal and external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained. In performing its functions for FY2020, the AC had:

- (i) held three meetings with Management;
- (ii) reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;
- (iii) met up with the Group’s internal and external auditors during the year under review without the presence of Management to discuss their findings set out in their respective reports to the AC. Both the internal and external auditors had confirmed that they had access to and received full cooperation and assistance from Management and no restrictions were placed on the scope of audits;
- (iv) reviewed and approved the consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated cash flows and auditors’ report;
- (v) conducted a review of the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees amounting to RMB2,146,000 were approved:

Audit fees	RMB1,706,000
Non-Audit fees	RMB440,000

The external auditors had also confirmed their independence in this respect;

- (vi) recommended the re-appointment of Messrs BDO Limited, Certified Public Accountants, Hong Kong (“**BDO- HK**”) and Messrs BDO LLP, Public Accountants and Chartered Accountants, Singapore (“**BDO-SG**”) to act jointly and severally as the Company’s Auditors.

BDO-HK is a member of BDO International Limited in Hong Kong and BDO-SG, which is registered with the Accounting and Corporate Regulatory Authority, is a member firm of BDO International Limited in Singapore.

The Board, with the concurrence of the AC, is of the view that the re-appointment of BDO-HK and BDO-SG to act jointly and severally as the Auditors has enabled the Company to comply with and meet the objective and spirit of Rule 712 of the SGX-ST Listing Manual; and

- (vii) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm to audit its accounts, foreign-incorporated subsidiaries and associated companies. The Group’s subsidiaries and associated companies are disclosed under Notes 13 and 14 of the Notes to the Financial Statements on pages 86 to 90 of this Annual Report respectively.

The external auditors and/or the Group Financial Controller will keep the AC abreast of changes to accounting standards and issues, if any, which have a direct impact on the financial statements through updates and/or reports from time to time, where applicable or relevant. In addition, the AC is entitled to seek clarification from Management, the external auditors and/or internal auditor or seek independent professional advice, or attend relevant seminars at the Company’s expense from time to time to apprise themselves of accounting standards/financial updates.

# Corporate Governance Report

## Whistle Blowing

The Group has put in place a whistle-blowing programme (“**Whistle-Blowing Policy**”) which provides well defined and accessible channels in the Group through which employees and any other persons may raise concerns about fraudulent activities, malpractices or improper conduct within the Group, in a responsible and effective manner. There were no whistle blowing reports received for FY2020.

## Provision 10.4 – Internal Audit Rule 1207(10C) of the SGX-ST Listing Manual

The Group’s internal audit function is carried out independently by its in-house internal audit department (“**Internal Audit Team**”) comprising of 8 staff and is headed by Mr. Chen Wei, who has at least 10 years of experience in the accounting industry and at least 15 years of experience in internal audit.

The Internal Audit Team has unfettered access to all the Group’s documents, records, properties and personnel, including access to the AC focus primarily on the internal audit of the Group and reports primarily and directly to the AC Chairman on all internal audit matters and findings, if any, from the audit process.

For FY2020, the AC had reviewed the findings of the Internal Audit Team and the adequacy and effectiveness of the internal audit function to ensure that the internal audit function is adequately resourced and able to perform its function effectively and objectively.

Based on the foregoing and taking into account the Group’s operations and needs, the AC is of the view that the internal audit function is independent, effective and adequately resourced.

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING**

**PRINCIPLE 11: THE COMPANY TREATS ALL SHAREHOLDERS FAIRLY AND EQUITABLY IN ORDER TO ENABLE THEM TO EXERCISE SHAREHOLDERS’S RIGHTS AND HAVE THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON MATTERS AFFECTING THE COMPANY. THE COMPANY GIVES SHAREHOLDERS A BALANCED AND UNDERSTANDABLE ASSESSMENT OF ITS PERFORMANCE, POSITION AND PROSPECTS.**

The Board ensures that all the Company’s shareholders are treated equitably for them to exercise their shareholders’ rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance position and prospects.

### Provision 11.1 to 11.5 – Participation and voting at general meetings of shareholders

General meetings are the principal forum for dialogue with shareholders. Shareholders are invited and encouraged to attend general meetings to put forth any questions they may have on the motions to be debated and decided upon. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Nonetheless, Shareholders can vote at the general meetings in person or by appointing up to 2 proxies, through proxy forms which are sent together with the Annual Reports or circulars, as the case may be. The duly completed and original proxy form is required to be submitted not less than 48 hours before the general meeting and deposited at the Company Share Transfer Agent’s office.

The notices of the general meetings are dispatched to shareholders, together with explanatory notes at least 14 clear days before each meeting for ordinary resolutions and at least 21 clear days for special resolutions to be passed. The notice is also advertised in a national newspaper.

At general meetings, each distinct issue is proposed as a separate resolution.



# Corporate Governance Report

The Company welcomes shareholders to voice their views and seek clarification on issues relating to the Group's business as outlined in the agenda of the AGM notice and encourages shareholders' participation at AGMs.

The Chairman of the Board and the Chairmen of the AC, NC and RC will endeavour to attend if they are available, or otherwise their representatives will attend the AGM to attend to queries raised by the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit and the preparation and content of the auditors' report. The Company Secretary(ies) record(s) minutes of every general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management. Although the minutes of general meetings are not published on its corporate website or made available through the SGXNET, it will be made available to the shareholders upon their request and is therefore consistent with the intent of Principle 11.

The Company would conduct its votings in general meetings by poll where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board believes that this will enhance transparency of the voting process and encourage greater shareholder participation. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be released via the SGXNET after the meeting. The Company currently employs paper polling as electronic polling is not practical and cost-effective.

## Provision 11.6 – Dividend Policy

The Company does not have a policy on payments of dividends. Nonetheless, consistent with the intent of Principle 11, the form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

No dividend was declared for FY2020 as the Group is loss making.

## **ENGAGEMENT WITH SHAREHOLDERS**

**PRINCIPLE 12: THE COMPANY COMMUNICATES REGULARLY WITH ITS SHAREHOLDERS AND FACILITATES THE PARTICIPATION OF SHAREHOLDERS DURING GENERAL MEETINGS AND OTHER DIALOGUES TO ALLOW SHAREHOLDERS TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.**

## Provisions 12.1 to 12.3 – Interaction/engagement with shareholders

The Group continues to keep all shareholders/stakeholders informed of its corporate activities on a timely and consistent basis. In line with continuous disclosure obligations, the Company is mindful of the need for regular and proactive communication with its shareholders and to facilitate the exercise of ownership rights by all shareholders. Communication with shareholders is done via announcements and/or press releases on a timely basis through:

- (i) major developments of the Group;
- (ii) financial statements containing a summary of the financial information and affairs of the Group for the interim and full year via SGXNET;
- (iii) annual reports and circulars that are sent to all shareholders; and
- (iv) notices of and explanatory notes for general meetings.

# Corporate Governance Report

The Company does not practise selective disclosure, and in the event of any inadvertent disclosure is made to a select group, the Company will make the same disclosure publicly to all others as promptly as possible.

Although the Company does not have an investor relations policy, other than communicating with Shareholders at AGMs, the Company has engaged an external Investor Relations (“IR”) Manager to assist with its investor relations matters. Media, analysts, investors and shareholders may also contact the IR Manager or the Group Financial Controller and/or the Directors through the Company on any investor relations matters. The IR Manager can be contacted at ysngo45@gmail.com.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

#### **PRINCIPLE 13: THE BOARD ADOPTS AN INCLUSIVE APPROACH BY CONSIDERING AND BALANCING THE NEEDS AND INTERESTS OF MATERIAL STAKEHOLDERS, AS PART OF ITS OVERALL RESPONSIBILITY TO ENSURE THAT THE BEST INTERESTS OF THE COMPANY ARE SERVED.**

##### Provisions 13.1 and 13.2 – Identification and engagement with material stakeholder groups, including managing relationships with such groups

The Group believes that forging good relationships with its stakeholders is crucial for the sustainable growth of its business and its key stakeholders include customers, suppliers, employees, investors and shareholders, local communities, and government and regulators.

The key areas of focus in relation to the management of stakeholder relationships are set out in the Company’s annual Sustainability Report for the financial year ended 30 June 2020.

##### Provision 13.3 – Corporate website

The Company maintains a current corporate website, [www.ddhlimited.com](http://www.ddhlimited.com), to communicate and engage with stakeholders.

All materials on the Company’s financial results, as well as the latest annual report of the Company, are announced and available on the SGXNET and its corporate website.

## DEALINGS IN SECURITIES

The Group had adopted an internal compliance code of conduct to provide guidance to its Directors, key officers and employees regarding dealings in the Company’s securities and implications of Insider Trading (the “**Securities Code**”) in compliance with Rule 1207(19) of the SGX-ST Listing Manual.

In line with the Group’s internal compliance code, Directors, key officers and employees of the Group are prohibited from dealing in securities of the Company during the periods commencing two weeks before the release of the quarterly results for each of its first quarter ended 30 September 2019 and second quarter ended 31 December 2019, and at least one month before the release of full year results ended 30 June 2020, and ending one day after the date of announcement of the relevant results. The Company confirms that it had adhered to its Securities Code for the above financial reporting periods.

Following the amendments to Rule 705 of the SGX-ST Listing Manual which came into effect on 7 February 2020, the Company is not required to announce its unaudited financial statements for the first quarter and the third quarter of its financial year (“**Quarterly Reporting**”). Accordingly, the Company had on 21 April 2020 announced that it will, with immediate effect, cease to continue with its Quarterly Reporting. Going forward, the Directors, key officers and employees of the Group will be prohibited from dealing in securities of the Company during the periods commencing one month before the release of the half year and full year results for the financial year ending 30 June 2020, and ending one day after the date of announcement of the relevant results.

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Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group at all times.

In addition, Directors and key officers are encouraged not to deal in the Company's securities on short-term Considerations.

## INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC at its quarterly meetings to ensure that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. The AC with the concurrence of the Board confirmed that there were no interested person transactions for FY2020 pursuant to the disclosure under Rule 920 of the SGX-ST Listing Manual:

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000)
Nil	Nil	Nil	Nil

The Group does not have a general mandate from the shareholders for interested person transactions.

## MATERIAL CONTRACTS

Since the end of the previous financial year, the Group did not enter into any material contracts involving the interests of the CEO, Directors, Controlling Shareholders and no such material contracts subsist at the end of the financial year, save for the Service Agreements entered into by the Executive Directors with the Company and the conditional acquisition and disposal agreement ("**Agreement**") entered into by the Company on 17 November 2018 with Keen Wind Limited ("**Keen Wind**", and together with the Company, "**Parties**") pursuant to which, subject to the terms and conditions of the Agreement:

- (a) Keen Wind will sell, and the Company will acquire, all the issued and paid-up shares in the capital of Great Resolute Limited ("**Great Resolute**") held by Keen Wind, representing 100% of the issued shares in Great Resolute ("**Xingnong Acquisition**"); and
- (b) the Company will dispose of, and Keen Wind will purchase, all the issued and paid-up shares in the capital of Sea Will International Limited ("**Sea Will**") held by the Company, representing 100% of the issued shares in Sea Will ("**Dukang Disposal**") (collectively, the "**Proposed Transactions**"). Following completion of the Proposed Transactions ("**Completion**"), Great Resolute and its subsidiaries (collectively, the "**Xingnong Group**") will be wholly-owned subsidiaries of the Company and the Company will cease to have any interest in Sea Will and all of its subsidiaries and associated company (collectively, the "**Dukang Group**"). As a result, the Company's business will comprise wholly of the business carried out by the Xingnong Group.

# SUSTAINABILITY REPORT 2020

(1 July 2019 to 30 June 2020)

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# Sustainability Report 2020

## ABOUT US

### Company Background

As the first People's Republic of China ("PRC") baijiu enterprise listed overseas, Dukang Distillers Holdings Limited ("**Dukang Distillers**" or the "**Company**", and together with its subsidiaries, the "**Group**") has its primary listing on the Mainboard of Singapore Exchange Securities Trading Limited (Stock code: BKV) since September 2008 and the listing of its Taiwan Depository Receipts on the Taiwan Stock Exchange (Stock code: 911616) since March 2011.

Originated from the brand 「Siwu」 (四五), the Group acquired Luoyang Dukang Holdings Limited ("洛阳杜康控股有限公司") in May 2010 and currently sells its products under the 「Dukang」 (杜康) brand name.

Named after the forefather of baijiu (白酒) and drawing upon a long history and rich cultural heritage of over five thousand years, the 「Dukang」 brand is poised to target the mid-to-high end baijiu market in the PRC.

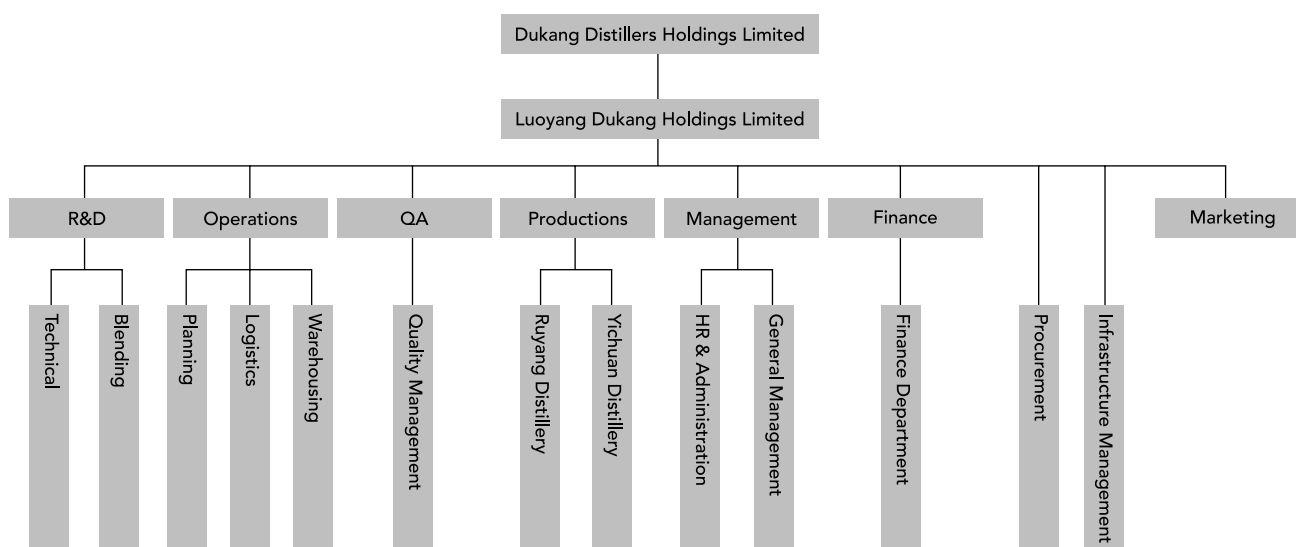
The Group's products are sold via distributors mainly to supermarkets, flagship stores, specialty stores and restaurants.

The Group currently has an annual grain alcohol production capacity of 4,684 tonnes from 2,428 fermentation pools for the 「Dukang」 brand.

With its distinctive taste and brewed using traditional methods, the 「Dukang」 brand has clinched national awards including China Intangible Cultural Heritage (2008), Henan Well-known Trademark (2008), China Well-known Trademark (2005), China Time-honoured Brand (2005), Top 10 Chinese Wine Brands (2001) and Star Enterprise of The National Wine Industry (1994).

In early 2013, the Group's 「Dukang」 brand was officially endorsed by the PRC government as one of the appointed baijiu to serve foreign dignitaries.

### Corporate Structure



### Our Vision & Mission

The Group endeavours to become the leading baijiu brand in the PRC and the world.

## Supply Chain Management

The Group's suppliers are extensively sourced and stringently evaluated to ensure that they meet the relevant specific guidelines that is in place, following the core values and vision of the Group. The Group aims to source from consistent, reliable and cost-effective suppliers and minimise the potential disruptions in the supply chain.

The Group also ensures that its Directors, substantial shareholders or any of their associates are independent of the major suppliers. It also ensures that no Directors and Executive Officers are materially dependent on any industrial, commercial or financial contract with any supplier.

## Governance Structure

The Board of Directors (the "**Board**") of Dukang Distillers is committed to setting and maintaining high standards of corporate governance within Group by adopting and complying, where possible, with the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**") with the aim to preserve and enhance the interests of all stakeholders.

Certain functions have been delegated by the Board to various Board Committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), which operate under clearly defined terms of reference. All Board Committees are chaired by an Independent Director and all of the members are Independent Directors.

Board of Directors	AC	NC	RC
Zhou Tao (Executive Chairman and Chief Executive Officer)			
Huo Lei (Executive Director)			
Tan Siok Sing (Calvin) (Lead Independent Director)	Member	Member	Member
Ho Teck Cheong (Independent Director)	Chairman	Member	Member
Chia Seng Hee, Jack (Independent Director)	Member	Chairman	Chairman
Jia Guobiao (Non-Executive and Non-Independent Director)			

## External Initiatives

The Group is committed to food and product standards and quality management systems that reflect its values and meet the demand of the customers and other stakeholders. The Group continuously challenge itself to be better – a better producer, a better employer and a better organisation. Here is a list of external initiatives that the Group subscribe to or endorse:

- ISO 9001:2015 (Quality Management System)
- Interim Regulations on Food Production Licensing in Henan Province (河南省食品生产许可暂行条例)
- Baijiu production license review rules (白酒生产许可审查细则)
- Food production license management measures (食品生产许可管理办法)
- General hygiene standards for food production (食品生产通用卫生标准)
- Hygienic standard for distilled spirits and formulated wines (蒸馏酒及配制酒卫生标准)
- General Rules for Labelling of Pre-packaged Foods (预包装食品标签通则)
- Environmental Protection Law of the People's Republic of China (中华人民共和国环境保护法)
- Environmental Protection Regulations of Henan Province (河南省环境保护条例)
- Food label management regulations (食品标识管理规定)



# Sustainability Report 2020

## **Membership of Associations and Certificates**

- Henan Province Wine Business Association (河南省酒业协会)
- Henan Province Spirit Industry Association (河南省酿酒协会)
- China National Spirit Examination Committee (中国白酒国家评委)
- China National Food Industry Association (中国食品工业协会)

## **Governance and Sustainability**

The Board recognises that sound corporate governance practices are important to the proper functioning of the Group and enhance the interests of all shareholders. The Board also considers sustainability issues, e.g. environmental and social factors, as part of the Group's strategic formulation.

The Group will always strive to do its best in safeguarding against fraud with the aim to protect stakeholders' interests, and to minimise its environmental footprint on the environment. The Company has also established policies for issues such as Conflict of Interests, and Whistleblowing and Fraud.

## **Conflict of Interest Policy**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are reviewed and approved by senior executives, AC and/or the Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

## **Whistleblowing and Fraud**

The Group has in place a culture to highlight any inappropriate behaviour among its employees in order to maintain high ethical standards of accountability, reliability and honesty for its stakeholders at all times.

## ABOUT THIS REPORT

This is the third Sustainability Report (the “**Report**”) published by Dukang Distillers. By reporting the policies, practices, targets and performances of the Group in terms of its material sustainability issues, it allows all stakeholders to understand the progress and development direction of the Group. The report has been uploaded to the website of the Singapore Exchange Limited (“**SGX**”).

### Report Scope

This report covers the Group’s baijiu business for the reporting period from 1 July 2019 to 30 June 2020. The reporting boundary covers the operation of the Group’s office in Henan province, the PRC. While this report does not cover all of the Group’s operations, the aim of Dukang Distillers is to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure.

### Reporting Standard

This report is prepared in accordance with the ‘comply or explain’ provisions of SGX-ST Listing Rules 711A, as well as the guidance set out in the Practice Note 7.6: Sustainability Reporting Guide launched by the SGX. The five reporting components prescribed by the SGX-ST Listing Rules 711B underline the key structure of this report.

The Group has selected the Global Reporting Initiative (“**GRI**”) Standards as its reporting framework as the Group believes that it provides robust guidance and is widely accepted as a global standard for sustainability reporting.

### Confirmation and Approval

Information documented in this report is sourced from the official documents, statistical data, as well as management and operation information of and collected by Dukang Distillers according to the policies of the Group. The report has received the Board of Directors’ approval in September 2020

### Opinion and Feedback

Dukang Distillers values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the report, please contact the Group via the following channels:

Address: 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, The People’s Republic of China  
Email: [sustainability@dukangwine.com](mailto:sustainability@dukangwine.com)  
Tel: +86 371 8751 8038  
Fax: +86 371 8751 8096

# Sustainability Report 2020

## MESSAGE FROM THE BOARD

Dear Stakeholders,

On behalf of the Board, I am pleased to announce the publication of our Sustainability Report 2020 that is in compliance with the GRI Standards, in relation to the financial year ended 30 June 2020 ("**FY2020**").

With stakeholders' growing expectations in engaging global issues, the Board believes that being sustainable and dynamic in the ever-changing world of business is the way to sustain growth. We believe that this demonstrates our commitment to our stakeholders.

The Group takes pride in its assurance of the range of quality baijiu products, to cater to the needs of a wide spectrum of consumer profile. We have, in our employment, technical experts who have between 20 to 30 years of experience in the baijiu industry including our brewmasters. Our brewmasters are proficient in baijiu tasting and brewing and have been accredited for their proficiency at national or provincial levels.

We believe that having an established quality management system is instrumental to our success and to maintain our brand recognition as a producer of quality baijiu products. We have established a stringent quality management system to ensure adherence to and consistency in quality, cleanliness and hygiene standards for our raw ingredients, taste, packaging and other product quality attributes.

We place strong importance in the relationship between customers and stakeholders and have steadily continue to improve in strengthening our current position in the market. Our sales staff visit our customers regularly to further understand their needs, and to obtain their feedback and suggestions on our products and services. In addition, consumers can dial in to our customer service centre to verify the authenticity of the product purchased by quoting the serial number. These will help us augment the current market presence and help us achieve our long-term goals that we set for ourselves.

In this Sustainability Report, we have identified and selected 3 Environmental, Social and Governance (ESG) issues to focus on. These issues have been carefully selected, and have the greatest impact on our key stakeholders.

For and on behalf of  
Dukang Distillers Holdings Limited

Zhou Tao  
*Executive Chairman & Chief Executive Officer*

## STAKEHOLDERS' ENGAGEMENT

As the Group embarks on its sustainability journey to further enhance its continuous growth, it encourages feedback from stakeholders and will incorporate them into its corporate strategies if they are appropriate and relevant.

Stakeholders		Mode of Communication
Internal	Employees	Direct mails, internal memo
	Shareholders / Investors	Direct mails, regular meetings, Annual General Meetings
	Customers	Direct mails, regular meetings, phone calls, visits/ study trips, communication Apps such as WeChat/ QQ
External	Suppliers	Direct mails, regular meetings, phone calls, visits/ study trips, communication Apps such as WeChat/ QQ
	Local communities	Visits, phone calls, local activities
	Government and Regulators	Direct mails, visits, phone calls

Stakeholders	Concerns
Employees	<ul style="list-style-type: none"> <li>• Staff welfare</li> <li>• Opportunities for career progression</li> <li>• Learning and development opportunities</li> <li>• Job stability</li> </ul>
Shareholders / Investors	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Dividends</li> <li>• Sound business strategies</li> <li>• Risk management</li> <li>• Governance and transparency</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Product safety and quality</li> <li>• Range and variety of products</li> <li>• Pricing and value for money</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Short credit terms</li> <li>• Punctual payment for supplies</li> <li>• Stable, long-term business relations</li> </ul>
Local communities Government and Regulators	<ul style="list-style-type: none"> <li>• Sustainable sourcing</li> <li>• Food safety and Security</li> <li>• Compliance with industry standards and hygiene practices</li> <li>• Management of negative environmental impact such as food wastage</li> </ul>

# Sustainability Report 2020

## MATERIAL TOPICS

### Sustainability reporting processes

Identification	Prioritisation	Validation	Review
<ul style="list-style-type: none"><li>• Identification of the material factors that are relevant to the Group's activities and data points for performance reporting</li></ul>	<ul style="list-style-type: none"><li>• Prioritisation of the material factors and identification of key sustainability factors to be reported</li></ul>	<ul style="list-style-type: none"><li>• Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalise the Report content</li></ul>	<ul style="list-style-type: none"><li>• Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organisational and external developments</li></ul>

The material topics identified are based on the ESG framework and the degree of significance on the Group's stakeholders. After referring to global peers such as Diageo, Heineken and Remy Martin and gaining insightful feedback from our stakeholders, the Group has identified the following topics for discussion in this report:

- Customer Health and Safety
- Employment
- Energy and Water Consumption

## CUSTOMER HEALTH AND SAFETY

### Responsible drinking

Moderate consumption of alcohol can be part of a balanced lifestyle. As a premium baijiu brand in the PRC, Dukang Distillers has both the opportunity and the responsibility to make moderate drinking aspirational. As an industry leader we implement a consistent, effective approach to encouraging responsible attitudes to alcohol and actively discourage abuse of alcohol. By doing so, we play an active role to support the reduction of irresponsible drinking.

All our commercial communication fully complies with the letter and spirit of local, regional and national laws, as well as other relevant regulations (for example, TV and cinema advertising, sponsorship and internet regulations).

Labels of all our products will include wordings that states that excessive drinking is harmful to health (过量饮酒 有害健康) to inform consumers about responsible drinking. This is in accordance to Food label management regulations (食品标识管理规定) and General Rules for Labelling of Pre-packaged Foods (预包装食品标签通则).

### Food Safety

The Group places utmost importance on ensuring food safety for all our products, and we are committed to producing baijiu of premium quality and taste.

The Group strives to provide quality products that ensure the health and safety of consumers. The Food Safety Office and the Quality Control Department are responsible for managing the production process according to the "Quality and Safety Management Manual", to ensure hygiene conditions are in compliance with relevant laws and regulations.

From the procurement of raw materials like sorghum to the packing and distribution of our products, we exercise extreme caution in evaluating the quality of our suppliers' products to ensure food safety along our value chain.

The Group abides by laws and regulations in relation to food safety and production safety, including but not limited to the following:

- Interim Regulations on Food Production Licensing in Henan Province (河南省食品生产许可暂行条例)
- Baijiu production license review rules (白酒生产许可审查细则)
- Food production license management measures (食品生产许可管理办法)
- General hygiene standards for food production (食品生产通用卫生标准)
- Hygienic standard for distilled spirits and formulated wines (蒸馏酒及配制酒卫生标准)
- General Rules for Labelling of Pre-packaged Foods (预包装食品标签通则)
- Food Label Management Regulations (食品标识管理规定)

In order to ensure the safe production of our baijiu products, the Quality Assurance Department conducts weekly supervision and inspection of food safety and organizes monthly food safety emergency drills. The Quality Assurance Department also conducts a self-assessment of the food safety protection plan every six months to evaluate the suitability of food safety and security strategies. Last but not least, the Group will conduct quality system inspection annually to ensure the effective implementation of the quality and food safety management systems in place.

The Group did not identify any non-compliance with local laws and regulations relating to customer health and safety during the reporting period.



# Sustainability Report 2020

## EMPLOYMENT

### Gender Ratio

We value our employees, and we resolve to provide them with a safe and fair working environment. It is also our mission to make Dukang Distillers a great place to work, where employees' needs are well-taken care and where they can realise their fullest potential.

We employ 743 employees with a male to female gender distribution of about 57:43.

Male		Female		Total
Managerial	Non-Managerial	Managerial	Non-Managerial	
108	315	58	262	743
56.9%		43.1%		100.0%

### Diversity and Fair Practice

We believe in diversity and fair practices and are committed to the principles of equality and non-discrimination. The Group strives to employ on the basis of merit regardless of gender, age, race or religion. The Group promotes a two-way communication with all of its employees and appreciates any feedback or suggestions to make the working environment more conducive. Our whistleblowing policy offers a channel for all employees to voice sensitive issues and misconducts.

### Occupational Health and Safety

The Group strives to provide a safe and conducive working environment for our employees.

The Group implements safety management systems to control the risks associated with occupational hazards and conduct regular practices of hazard identification, provision of adequate personal protective equipment as well education which are essential to the health and safety of workers.

During the period under review, the Group conducted the Fire Safety Knowledge Training, Electrical Safety Training and safety drills for its employees.

In addition, the Group handles pension planning, work injury insurance, medical insurance, maternity insurance and unemployment insurance for employees in accordance with state regulations.

### Talent Development and Retention

The Group has a systematic training programme in place in order to continuously develop and improve employees' work attitudes, knowledge and skills, and meet the needs of the company's sustainable development. After each training session, an evaluation will be carried out to assess the realisation of the training objectives as well the efficacy of the training system.

The Group's believe in continuously improving our management process and embracing the scientific and standardised management methodology. Annual appraisal for all employees is conducted objectively and impartially to evaluate the performance and contribution of employees, for salary adjustment or grading, performance salary distribution, job promotion, talent training and etc. This is essential for improving employee morale and employee satisfaction, while enhancing the Company's cohesiveness and centripetal force.



Baijiu production training



Electrical safety training

## ENERGY AND WATER CONSUMPTION

Respect for the environment is fundamental to ensure the excellence of the Group's products. We abide by the Environmental Protection Law of the People's Republic of China (中华人民共和国环境保护法) and the Environmental Protection Regulations of Henan Province (河南省环境保护条例).

During the period under review, the water and energy consumption of the company were as follows:

Resource	FY2020	FY2019	Change
Water (m <sup>3</sup> )	305,077	280,051	+8.9%
Electricity (kWh)	3,253,875	3,170,986	+2.6%
Gas (m <sup>3</sup> )	609,688	820,796	-25.7%

Previously, the Group has taken the initiative to convert all coal-fired boilers to fire natural gas to ensure energy conservation and emission reduction. For FY2018, no gas was used as there was no grain alcohol production in view of the tepid market demand. The Group began to produce grain alcohol again in FY2019.

Water plays a vital role in the ecosystem of the Group's production. Its collection, use and treatment are subject to attentive oversight. Starting from 2018, the Group's distilleries will be paying water conservation fee to the local authority for underground water extraction for productions. Previously, the usage of groundwater by industrial users at Ruyang County and Yichuan County were unmetered. Going forward, the Group is working towards optimizing its water usage and reducing its ecological footprint.

# Sustainability Report 2020

## GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

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<b>Organisational Profile</b>		
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<b>Strategy</b>		
102-14	Statement from senior decision maker	Page 42
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Page 38 - Page 40
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<b>Reporting Practice</b>		
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Disclosure	Title	Reference and Remarks
<b>Consumer Health and Safety</b>		
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403-01	Occupational health and safety management system	Page 46 – Page 47
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404-02	Programs for upgrading employee skills and transition assistance programs	Page 46
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405-01	Diversity of governance bodies and employees	Page 46
<b>Energy and Water Consumption</b>		
302-01	Energy consumption within the organization	Page 47
302-02	Energy consumption outside of the organization	Page 47
302-03	Energy intensity	Page 47
302-04	Reduction of energy consumption	Page 47
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303-01	Interactions with water as a shared resource	Page 47
303-03	Water withdrawal	Page 47
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# Directors' Report

The Directors present their report together with the audited consolidated financial statements of Dukang Distillers Holdings Limited (the "**Company**") and its subsidiaries (collectively known as the "**Group**") for the financial year ended 30 June 2020 ("**FY2020**").

## Directors

The Directors of the Company in office at the date of this report are:

Zhou Tao (*Executive Chairman and Chief Executive Officer*)

Huo Lei (*Executive Director*)

Tan Siok Sing (Calvin) (*Lead Independent Director*)

Chia Seng Hee, Jack (*Independent Director*)

Ho Teck Cheong (*Independent Director*)

Jia Guobiao (*Non-Executive and Non-Independent Director*)

## Share Options

The Company does not have any share option scheme.

## Arrangements to enable Directors to acquire Shares or Debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' Interests in Shares or Debentures

According to the Register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company.

## Directors' Service Contracts

Mr. Zhou Tao had entered into a Service Agreement as Deputy Chairman and Chief Executive Officer ("**CEO**") with the Company for an initial term of 3 years commencing from 5 September 2008 which was subject to review and renewal upon expiry or unless terminated by either party giving not less than three months' notice to the other. His Service Agreement was subsequently renewed on 4 September 2011 for a period of 3 years with no changes in the terms and conditions, save for his remuneration when he was re-designated Executive Chairman cum CEO on 28 March 2013, and was further extended for another 3 years commencing from 4 September 2014. Mr. Zhou's Service Agreement had been renewed for another 3 years commencing from 4 September 2017. His Service Agreement had been subsequently renewed for another 3 years commencing 4 September 2020, with no changes in the terms and conditions.

Mr. Huo Lei, an Executive Director of the Company, had entered into a Service Agreement with the Company for an initial term of 3 years commencing from 1 September 2014 which was subject to review and renewal upon expiry on 31 August 2017 or unless terminated by either party giving not less than three months' notice to the other. Mr. Huo's Service Agreement had been subsequently renewed for a period of 3 years commencing from 1 September 2017, with no changes in the terms and conditions. His Service Agreement was subsequently renewed on 1 September 2020 for a period of 3 years with no changes in the terms and conditions.

## Directors' Contractual Benefits

Except for the Service Agreements detailed above and transactions disclosed in note 27 to the financial statements, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest since the end of the previous financial year.

## Audit Committee, Nominating Committee and Remuneration Committee

Details of the Company's Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") are set out in the Corporate Governance Report on pages 13 to 36 of this Annual Report.

## Auditors

The AC has recommended to the Board of Directors the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong ("**BDO Limited**") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("**BDO LLP**") to act jointly and severally as the auditors of the Company at the forthcoming AGM.

BDO Limited and BDO LLP have expressed their willingness to accept the re-appointment to act jointly and severally as auditors of the Company.

## ON BEHALF OF THE BOARD OF DIRECTORS

Zhou Tao

Director

5 October 2020

Huo Lei

Director



## Statement by Directors

We, Zhou Tao and Huo Lei, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors:

- (i) the accompanying consolidated statements of financial position, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto, set out on pages 58 to 107, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2020 and the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors authorised these financial statements for issue on 5 October 2020.

### **ON BEHALF OF THE BOARD OF DIRECTORS**

Zhou Tao

Director

5 October 2020

Huo Lei

Director



## To the shareholders of Dukang Distillers Holdings Limited

*(incorporated in Bermuda with limited liability)*

### Opinion

We have audited the financial statements of Dukang Distillers Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 107, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2020;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group;
- the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 30 June 2020, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the Hong Kong Institute of Certified Public Accountants ("HKICPA") Code of Ethics for Professional Accountants ("HKICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and the HKICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Joint Auditors' Report

Key audit matter	Audit response
<p><b>1 Impairment assessment of property, plant and equipment, intangible assets and interest in an associate</b></p> <p>As at 30 June 2020, the Group had property, plant and equipment, including right-of-use assets, net of impairment provision, of approximately RMB373,842,000, and intangible assets which have been fully impaired during 2019, relating to the cash-generating unit of baijiu business ("Dukang Baijiu CGU"), and interest in an associate, net of impairment provision, of approximately RMB11,123,000, income stream of which is entirely dependent on the Dukang Baijiu CGU. Since the Group's baijiu business recorded a loss during the current financial year, management of the Group, with reference to valuations from an independent and professionally qualified valuer (the "Valuer"), performed impairment assessments to determine the recoverable amounts of these non-current assets.</p> <p>Based on the impairment assessment on the Dukang Baijiu CGU and the interest in an associate, the management of the Group recognised impairment loss of RMB3,172,000 on interest in an associate during the year ended 30 June 2020.</p> <p>This area is identified as a key audit matter due to the significance of the carrying values of the above-mentioned assets to the financial statements as a whole as well as the significant degree of judgement and estimation by the management involved in the assessment of their recoverable amounts.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>(i) Understanding and assessing the appropriateness of the valuation methodologies used by the management and key assumptions adopted for the valuations based on our knowledge of the business and industry;</li><li>(ii) Evaluating the competence, capabilities and objectivity of the external valuer;</li><li>(iii) Checking, on a sample basis, the accuracy and relevance of the input data used and the reasonableness of the key assumptions used in the valuations;</li><li>(iv) Comparing the fair value less costs of disposal and value in use in determining the recoverable amounts of these non-current assets; and</li><li>(v) Assessing the adequacy of the disclosures on the impairment assessment in the financial statements.</li></ul>
<p>Refer to notes 4.7, 5(v), 14, 15 and 17 of the accompanying financial statements.</p>	

# Independent Joint Auditors' Report

Key audit matter	Audit response
<b>2 Net realisable value of inventories</b>	
<p>The carrying value of inventories of the Group is RMB751,136,000 as at 30 June 2020. Inventories are stated at lower of cost and net realisable value. The assessment of net realisable value of inventories is based on estimates and judgements by management in respect of, amongst others, the current economic condition, historical sales record, ageing analysis and subsequent selling price of inventories.</p> <p>This area is identified as a key audit matter due to the significance of the carrying values of inventories to the financial statements as a whole, combined with the significant degree of judgment and estimation by the management involved in determining the net realisable value of inventories.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>(i) Understanding the management's process in identifying obsolete or slow-moving inventories and determining the net realisable value of the inventories;</li><li>(ii) Discussing with management and assessing the basis of the management's estimation of costs necessary to convert the work-in-progress to finished goods, and the subsequent selling price of these finished goods;</li><li>(iii) Comparing the carrying value of a sample of inventory items at the reporting date with their subsequent selling prices achieved, net of costs to completion and direct selling costs after the reporting date;</li><li>(iv) Comparing the carrying value of a sample of inventory items without sales after the reporting date with the estimated selling price, with reference to market prices at the reporting date, latest sales record and historical gross margins achieved, net of estimated costs to completion and costs to sell. To assess the historical accuracy of management's estimation process, we compared, on sample basis, the actual selling prices achieved during the current year with the estimated selling prices of the respective inventories at the end of the previous financial year; and</li><li>(v) Engaging an independent industry expert as the auditor's expert to review the report that is issued by the management industry valuer from the People's Republic of China.</li></ul>
<p>Refer to notes 4.8, 5(ii) and 19 of the accompanying financial statements.</p>	

## Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2020 annual report, but does not include the financial statements and our joint auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Joint Auditors' Report

## Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Joint Auditors' Report

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our joint auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent joint auditors' report are Khoo Gaik Suan from BDO LLP, and Cheung Or Ping from BDO Limited.

### **BDO LLP**

Public Accountants and Chartered Accountants  
Singapore

5 October 2020

### **BDO Limited**

Certified Public Accountants  
Hong Kong

5 October 2020

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	6	<b>113,331</b>	139,648
Cost of sales		<b>(69,443)</b>	(91,232)
<b>Gross profit</b>		<b>43,888</b>	48,416
Other income	7	<b>1,936</b>	5,932
Selling and distribution expenses		<b>(40,538)</b>	(44,346)
Administrative expenses		<b>(68,936)</b>	(70,879)
Other expenses		<b>(858)</b>	(858)
Impairment loss on interest in an associate	14	<b>(3,172)</b>	(819)
Impairment loss on intangible assets	17	-	(280)
Operating loss	8	<b>(67,680)</b>	(62,834)
Finance costs	9	<b>(7,629)</b>	(7,108)
Share of profit of an associate	14	<b>624</b>	770
<b>Loss before income tax</b>		<b>(74,685)</b>	(69,172)
Income tax credit/(expense)	11	<b>751</b>	(181)
<b>Loss for the year, attributable to owners of the Parent</b>		<b>(73,934)</b>	(69,353)
<b>Other comprehensive income for the year</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		<b>1,381</b>	(1,407)
Other comprehensive income for the year, net of tax amounting to RMBNil (2019: RMBNil)		<b>1,381</b>	(1,407)
<b>Total comprehensive income for the year, attributable to owners of the Parent</b>		<b>(72,553)</b>	(70,760)
<b>Loss per share for loss attributable to owners of the Parent during the year</b>	12		
- Basic and diluted		<b>RMB(0.93)</b>	RMB(0.87)

# Statements of Financial Position

As at 30 June 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Interests in subsidiaries	13	-	-	<b>793,606</b>	793,606
Interest in an associate	14	<b>11,123</b>	13,671	-	-
Property, plant and equipment	15	<b>373,842</b>	270,509	-	-
Prepaid land lease payments	16	-	132,589	-	-
Prepayments	18	<b>731</b>	-	-	-
Intangible assets	17	-	-	-	-
		<b>385,696</b>	416,769	<b>793,606</b>	793,606
<b>Current assets</b>					
Inventories	19	<b>751,136</b>	709,592	-	-
Amounts due from a subsidiary	13	-	-	<b>4,560</b>	11,486
Prepayments, deposits and other receivables	18	<b>16,682</b>	39,682	-	-
Income tax recoverable		<b>466</b>	-	-	-
Cash and cash equivalents	20	<b>121,877</b>	156,501	<b>8</b>	10
		<b>890,161</b>	905,775	<b>4,568</b>	11,496
<b>Current liabilities</b>					
Trade payables		<b>85,072</b>	55,987	-	-
Amount due to an associate	14	<b>8,887</b>	7,170	-	-
Accrued liabilities and other payables	21	<b>110,140</b>	114,325	<b>6,448</b>	5,836
Bank loans, secured	22	<b>115,000</b>	115,000	-	-
Provision for income tax		-	466	-	-
		<b>319,099</b>	292,948	<b>6,448</b>	5,836
<b>Net current assets/(liabilities)</b>		<b>571,062</b>	612,827	<b>(1,880)</b>	5,660
<b>Total assets less current liabilities</b>		<b>956,758</b>	1,029,596	<b>791,726</b>	799,266
<b>Non-current liabilities</b>					
Deferred tax liabilities	23	<b>11,021</b>	11,306	-	-
		<b>945,737</b>	1,018,290	<b>791,726</b>	799,266
<b>Net assets</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Parent</b>					
Share capital	24	<b>279,499</b>	279,499	<b>279,499</b>	279,499
Reserves	25	<b>666,238</b>	738,791	<b>512,227</b>	519,767
<b>Total equity</b>		<b>945,737</b>	1,018,290	<b>791,726</b>	799,266

Zhou Tao  
Director

Huo Lei  
Director



# Statements of Changes In Equity

For the year ended 30 June 2020

## GROUP

	Share capital	Share premium* (Note 25)	Merger reserve* (Note 25)	Statutory reserves* (Note 25)	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	<b>279,499</b>	<b>656,811</b>	<b>(150,101)</b>	<b>169,567</b>	<b>(640)</b>	<b>63,154</b>	<b>1,018,290</b>
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)
<b>Balance as at 30 June 2020</b>	<b>279,499</b>	<b>656,811</b>	<b>(150,101)</b>	<b>169,567</b>	<b>741</b>	<b>(10,780)</b>	<b>945,737</b>

\* These reserve accounts comprise the consolidated reserves of RMB666,238,000 (2019: RMB738,791,000) in the consolidated statement of financial position.

# Statements of Changes In Equity

For the year ended 30 June 2020

## COMPANY

	Share capital RMB'000	Share premium** (Note 25) RMB'000	Contributed surplus** (Note 25) RMB'000	Translation reserve** RMB'000	Accumulated losses** RMB'000	Total equity RMB'000
Balance as 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	<b>279,499</b>	<b>656,811</b>	<b>120,523</b>	<b>(25,081)</b>	<b>(232,486)</b>	<b>799,266</b>
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)
<b>Balance as at 30 June 2020</b>	<b>279,499</b>	<b>656,811</b>	<b>120,523</b>	<b>(24,954)</b>	<b>(240,153)</b>	<b>791,726</b>

\*\* These reserve accounts comprise the Company's reserves of RMB512,227,000 (2019: RMB519,767,000) in the Company's statement of financial position.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(74,685)	(69,172)
Adjustments for:			
Bank interest income	7	(376)	(434)
Interest expenses	9	7,629	7,108
Depreciation of property, plant and equipment	15	29,674	25,951
Amortisation of prepaid land lease payments	16	-	3,975
Impairment loss on interest in an associate	14	3,172	819
Property, plant and equipment written off	15	46	-
Impairment loss on intangible assets	17	-	280
Share of profit of an associate	14	(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)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(464)	(1,801)
Prepayment of lease payments	18	(731)	-
Interest received		376	434
Net cash used in investing activities		(819)	(1,367)
<b>Cash flows from financing activities</b>			
Proceeds from bank loan		115,000	115,000
Repayments of bank loan		(115,000)	(115,000)
Interest paid		(7,629)	(7,108)
(Repayment to)/advance from a director	30	(2,864)	8,458
Net cash (used in)/generated from financing activities		(10,493)	1,350
<b>Net decrease in cash and cash equivalents</b>		(34,639)	(18,520)
<b>Cash and cash equivalents at beginning of year</b>		156,501	175,039
<b>Effect of foreign exchange rate changes</b>		15	(18)
<b>Cash and cash equivalents at end of year</b>		121,877	156,501

# Notes to the Financial Statements

For the year ended 30 June 2020

## 1. GENERAL CORPORATE INFORMATION

Dukang Distillers Holdings Limited (the "Company") was incorporated in Bermuda on 12 February 2008 under the Bermuda Companies Act as an exempted company with limited liability. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company is located at 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People's Republic of China (the "PRC").

The Company's shares are listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and certain of its shares are listed as Taiwan Depositary Receipts on the Taiwan Stock Exchange Corporation.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 13 to the financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter.

The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2020 were approved for issue by the Board of Directors on 5 October 2020.

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST.

The financial statements have been prepared under the historical cost basis. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5 to the financial statements.

## 3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

### 3.1 Adoption of new and revised IFRSs

The Group has adopted the following amendments to IFRSs which are relevant to the Group's operations for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty Over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRSs 2015 – 2017 Cycle	Amendments to IAS 12 "Income Taxes"
Annual Improvements to IFRSs 2015 – 2017 Cycle	Amendments to IAS 23 "Borrowing Costs"

# Notes to the Financial Statements

For the year ended 30 June 2020

## 3 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 3.1 Adoption of new and revised IFRSs (Continued)

Except as detailed below, the adoption of the new IFRSs has no material impact on the Group's financial statements.

#### **IFRS 16 – Leases**

##### **(i) Impact of the adoption of IFRS 16**

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (iv) of this note.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The following table summarised the impact of the adoption of IFRS 16 on the consolidated statement of financial position as at 1 July 2019:

	Carrying amounts at 30 June 2019 RMB'000	Impacts of adopting IFRS 16 RMB'000	Carrying amounts at 1 July 2019 RMB'000
Assets:			
Property, plant and equipment	270,509	132,589	403,098
Prepaid land lease payments	132,589	(132,589)	-

##### **(ii) The new definition of a lease**

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 3 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 3.1 Adoption of new and revised IFRSs (Continued)

#### IFRS 16 – Leases (Continued)

##### (iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Group recognised right-of-use assets at the commencement date of a lease.

The accounting policies have been applied to the Group's right-of-use assets and lease liabilities are detailed in note 4.5.

##### (iv) Transition

As mentioned above, the Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has applied the practical expedient: the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases.

The Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 3 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 3.1 Adoption of new and revised IFRSs (Continued)

#### IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 July 2019. There is no material impact to the previously recognised income taxes and deferred taxes.

### 3.2 Issued but not effective IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued and are potentially relevant to the Group's operations but are not yet effective, in these financial statements.

Amendments to IAS 1 and IAS 8	Definition of Material <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to IFRS 3	Definition of a Business <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020 <sup>2</sup>

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined.

#### Amendments to IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

#### Amendments to IFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

# Notes to the Financial Statements

For the year ended 30 June 2020

## 3 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 3.2 Issued but not effective IFRSs (Continued)

#### Amendments to IFRS 3 – Definition of a Business (Continued)

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

#### Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

#### Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in IFRS Standards:

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

#### Amendments to IAS 16 - Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment (“PPE”) the proceeds from selling items produced before that asset is available for use. Instead, the related sales proceeds together with the costs of providing these items as determined by IAS 2, are to be included in profit and loss. An entity shall apply the amendments retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.



# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented.

### 4.1 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries together with advances from the Company which are neither planned nor likely to be settled in foreseeable future are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### 4.3 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test as detailed in note 4.7.

### 4.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial year in which they are incurred.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.4 Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of property, plant and equipment, less any estimated residual values, using the straight-line method, over the following estimated useful lives:

Right-of-use assets	46 – 50 years
Leasehold buildings	Over the shorter of lease terms and useful lives of 20 – 50 years
Plant and machinery	2 - 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	3 - 5 years

CIP, which represents buildings under construction, is stated at cost less accumulated impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 4.5 Leases

(A) Accounting policy applied from 1 July 2019

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

#### **Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost less accumulated impairment losses.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.5 Leases (Continued)

(A) Accounting policy applied from 1 July 2019 (Continued)

#### **Right-of-use asset (Continued)**

The Group accounts for leasehold land and buildings which is held for own use under IAS 16 and are carried at depreciated cost less accumulated impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

#### **Lease liability**

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- (i) If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- (ii) In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.5 Leases (Continued)

(A) Accounting policy applied from 1 July 2019 (Continued)

#### **Lease liability (Continued)**

(iii) If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

(B) Accounting policies applied until 30 June 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *Operating lease charges as the lessee*

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

#### *Prepaid land lease payments*

Prepaid land lease payments represent up-front payments to acquire long term interests in the usage of land held under an operating lease in Mainland China. They are stated at cost less accumulated amortisation and impairment losses, if any. These prepaid land lease payments are amortised over the lease period of 46 to 50 years using straight-line method.

### 4.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, as described below in note 4.7 to the financial statements. Such intangible assets are not amortised.

#### *Trademark*

The trademark was regarded as having an indefinite useful life because the trademark legal right is capable of being renewed indefinitely at insignificant cost and the trademarked products are expected to generate net cash inflows indefinitely. The trademark is stated at cost less any impairment losses.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.7 Impairment of non-financial assets

Property, plant and equipment, intangible assets, interest in an associate, prepayments and the Company's interests in subsidiaries are subject to impairment testing.

Intangible assets with indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss recognised for cash-generating unit is charged on a pro rata basis to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable), whichever is the higher.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

### 4.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.9 Financial assets

The Group's and the Company's financial assets include deposits, amounts due from a subsidiary and cash and cash equivalents.

A financial asset (unless it is an account receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### **Impairment loss on financial assets**

The Group recognises loss allowances for ECLs on the financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.9 Financial assets (Continued)

#### ***Impairment loss on financial assets (Continued)***

The Group considers a financial asset to be default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

### 4.10 Financial liabilities

The Group's and the Company's financial liabilities include bank loans, trade payables, accrued liabilities and other payables and amount due to an associate.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.



# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.10 Financial liabilities (Continued)

#### *Borrowings*

Borrowings include bank loans and are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### *Other financial liabilities*

These include trade payables, accrued liabilities and other payables and amount due to an associate and are recognised initially at their fair values net of transaction costs and subsequently measured at amortised costs, using the effective interest method.

### 4.11 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 4.12 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.12 Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### (i) Sale of baijiu products

Customers obtain control of the baijiu products when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time when the customers accepted the baijiu products. There is generally only one performance obligation. Payments are usually received in advance.

The Group's contracts with customers from the sales of baijiu products provide customers a right of return (a right to be refunded in cash or exchange of product). The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right of return assets are recognised.

#### *Contract assets and liabilities*

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### (ii) Interest income

Interest income is accrued on a time basis on the principal outstanding using the effective interest rate method.

### 4.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.14 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and associate, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### 4.15 Employee benefits

#### *Retirement benefits*

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries operating in Mainland China have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred. There are no provisions under the Schemes whereby forfeited contributions may be used to reduce future contributions.

#### *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.16 Foreign currency translation

The functional currency of the Company is Hong Kong dollars (“HK\$”). The financial statements are presented in RMB, which is the functional currency of the principal subsidiaries of the Group whose operations are principally conducted in Mainland China.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

### 4.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 4.18 Cash and cash equivalents

Cash and cash equivalents include cash at banks (including financial institution) and in hand and short-term bank deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.20 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 4.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

No separate analysis of segment information by business or geographical segments is presented as the Group's major business comprises manufacture and sale of baijiu products in Mainland China. The Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is Mainland China.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Depreciation

The Group depreciates its property, plant and equipment in accordance with the accounting policy stated in note 4.4. The estimated useful lives reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. The carrying amount of the Group's property, plant and equipment as at the end of the financial year is disclosed in note 15 to the financial statements.

### (ii) Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at each reporting date. The carrying amount of the Group's inventories is disclosed in note 19 to the financial statements.

### (iii) Impairment of receivables and amounts due from a subsidiary

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history and financial conditions of the Group's debtors, the current market condition and forward looking information. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments to the Group, allowance for impairment are estimated. The Group's management reassesses the impairment of receivables at each reporting date. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed.

At each reporting date, management determines whether there is change in credit risk of the amounts due from a subsidiary since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of the subsidiary. There is no significant increase in credit risk as at 30 June 2020. The carrying amount of the Company's amounts due from a subsidiary is disclosed in note 13 to the financial statements.

### (iv) Income tax recoverable/provision for taxes

The Group is mainly subject to various taxes in Mainland China including enterprise income tax, consumption tax, value-added tax ("VAT") and other surtaxes. Significant judgement is required in determining the amount of the provision for taxes, the timing of payment of related taxes and the interpretation of tax regulations. The Group carefully evaluates the tax implications of every material transaction and recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax recoverable (2019: provision for income tax), other taxes recoverable and other taxes payable as at 30 June 2020 were RMB466,000 (2019: RMB466,000), RMB1,802,000 (2019: RMB3,706,000) and RMB16,224,000 (2019: RMB19,071,000) respectively. The carrying amount of the Group's deferred tax liabilities is disclosed in note 23 to the financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (v) Impairment of non-financial assets

The Group and the Company assess whether there are any indicators of impairment or reversal of impairment of all non-financial assets at each reporting date. Intangible assets with indefinite useful life are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. All non-financial assets are tested for reversal of impairment when there are indicators that previously recognised impairment losses may no longer exist or may have decreased. When assessing impairment, management determines the recoverable amount of an asset or cash generating unit, which is the higher of its fair value less costs of disposal and its value in use. Management may need to estimate the expected future cash flows from the asset or cash-generating unit and determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the Group's and the Company's non-financial assets are set out in notes 13 to 17 to the financial statements.

## 6. REVENUE

### Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to depict the nature, amount, timing and uncertainty of revenue and cash flows. Revenue from contracts with customers within the scope of IFRS 15 recognised is as follows:

	Group	
	2020 RMB'000	2019 RMB'000
<i>Type of baijiu products</i>		
Premium series	74,816	104,377
Regular series	38,515	35,271
	<b>113,331</b>	<b>139,648</b>
<i>Timing of transfer of baijiu products</i>		
Point in time	<b>113,331</b>	<b>139,648</b>

# Notes to the Financial Statements

For the year ended 30 June 2020

## 7. OTHER INCOME

	Group	
	2020	2019
	RMB'000	RMB'000
Bank interest income	376	434
Miscellaneous	160	988
Grant income*	1,400	4,510
	<b>1,936</b>	<b>5,932</b>

\* Henan Dukang Distillers Company Limited ("Henan Dukang") received funding support mainly from the local government. The entitlement of the government grant was under the discretion of the relevant government bureaus. The purpose of the government grant was to grant financial assistance to Henan Dukang. The grant was unconditional and was therefore recognised as income when received. For the year ended 30 June 2020, a government grant amounted to RMB1,000,000 (2019: RMB3,210,000) was rewarded to Henan Dukang (2019: Ruyang Dukang Distillers Company Limited ("Ruyang Dukang")).

The remaining grant amount is from a local institute for funding support to the Group.

## 8. OPERATING LOSS

The Group's operating loss is arrived at after charging/(crediting):

	Group	
	2020	2019
	RMB'000	RMB'000
<b>(a) Employee benefit expenses</b>		
Directors' remuneration	3,235	3,327
Salaries, wages and other benefits	40,981	43,947
Retirement benefits scheme contributions	3,888	9,380
	<b>48,104</b>	<b>56,654</b>
The employee benefit expenses are recognised in the following line items:		
Cost of sales	10,863	16,221
Selling	8,713	10,360
Administrative	28,528	30,073
	<b>48,104</b>	<b>56,654</b>
<b>(b) Cost of sales</b>		
Cost of inventories recognised as an expense	52,974	70,828
Consumption tax <sup>#</sup>	16,469	20,404
	<b>69,443</b>	<b>91,232</b>

# Consumption tax charged to the Group is in proportion to the revenue and volume of baijiu products sold by the Group.





# Notes to the Financial Statements

For the year ended 30 June 2020

## 10. DIRECTORS' REMUNERATION

For the years ended 30 June 2020 and 2019, the remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with paragraph 1207(11) of Chapter 12 of the Listing Manual of SGX-ST:

	Executive directors	Non-executive directors	Total
<b>For the year ended 30 June 2020</b>			
Below S\$250,000 (equivalent to RMB1,271,000)	2	4	6
<b>For the year ended 30 June 2019</b>			
Below S\$250,000 (equivalent to RMB1,268,000)	2	4	6

## 11. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2020 RMB'000	2019 RMB'000
Current tax – Mainland China		
- Charge for the year	-	1,058
- Over-provision in respect of prior years	(466)	(592)
	(466)	466
Deferred tax (note 23)	(285)	(285)
Income tax (credit)/expense (credited)/charged to profit or loss	(751)	181

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under these jurisdictions during the years presented.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the years presented.

The provision for Mainland China income tax has been made at the statutory income tax rate of 25% (2019: 25%) on the assessable profits of the PRC subsidiaries of the Group in accordance with the PRC Enterprise Income Tax Law.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 11. INCOME TAX (CREDIT)/EXPENSE (Continued)

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rate is as follows:

	2020	2019
	RMB'000	RMB'000
Loss before income tax	(74,685)	(69,172)
Tax at the applicable tax rate of 25%	(18,671)	(17,293)
Effect of non-taxable and non-deductible items, net	4,187	2,196
Effect of temporary difference not recognised	14,199	15,870
Over-provision in respect of prior years	(466)	(592)
Income tax (credit)/expense (credited)/charged to profit or loss	(751)	181

## 12. LOSS PER SHARE

Basic loss per share is calculated based on the Group's loss attributable to owners of the Company of RMB73,934,000 (2019: RMB69,353,000) divided by the weighted average number of 79,828,927 (2019: 79,828,927) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 June 2020 and 2019 were the same as basic loss per share as the Group has no potentially dilutive ordinary shares in issue during these years.

## 13. INTERESTS IN SUBSIDIARIES

	Company	
	2020	2019
	RMB'000	RMB'000
Unquoted equity shares, at cost	284,253	284,253
Capital contribution to subsidiaries	509,353	509,353
	793,606	793,606

The directors of the Company had assessed for impairment in value of interests in subsidiaries. In the opinion of the directors, no allowance for impairment in value of interests in subsidiaries is required.

As at 30 June 2018, management assessed that certain of the amounts due from subsidiaries are not required to be settled in the foreseeable future and these balances should be classified as deemed capital contribution to subsidiaries. The directors considered that the amounts form part of the net investments in the subsidiaries and accordingly the amount of RMB509,353,000 were reclassified as non-current assets thereon.

The current portion of amounts due from a subsidiary are non-trade in nature, unsecured, interest-free and expected to be settled within one year.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 13. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at the reporting date are set out below:

Name	Date and place of incorporation/ establishment	Principal activities and place of business	Issued/ registered and paid-up capital	Equity interest held by the Group	
				2020	2019
<u>Directly held:</u>					
Sea Will International Limited	22 January 2007, BVI	Investment holdings, BVI	US\$10,000	100%	100%
<u>Indirectly held:</u>					
Trump Dragon Investment Limited	5 December 2003, Hong Kong	Investment holdings, Hong Kong	HK\$10,000	100%	100%
Henan Zhongxin Haifu Ltd. 河南中新海富商贸有限公司	8 May 2006, the PRC	Sale and marketing of baijiu products, Mainland China	US\$45,000,000	100%	100%
Hugefield Holdings Limited	21 January 2009, BVI	Investment holdings, BVI	US\$50,000	100%	100%
Greater Fortune Investments Limited	5 March 2009, Hong Kong	Investment holdings, Hong Kong	HK\$10,000	100%	100%
Henan Siwu Wine Sales Company Limited 河南四五酒业销售有限公司	29 September 2009, the PRC	Sale and marketing of baijiu products, Mainland China	US\$300,000	100%	100%

# Notes to the Financial Statements

For the year ended 30 June 2020

## 13. INTERESTS IN SUBSIDIARIES (Continued)

Name	Date and place of incorporation/ establishment	Principal activities and place of business	Issued/ registered and paid-up capital	Equity interest held by the Group	
				2020	2019
<u>Indirectly held:</u>					
Luoyang Dukang Holdings Limited 洛阳杜康控股有限公司	24 November 2009, the PRC	Investment holdings, Mainland China	RMB600,000,000	100%	100%
Ruyang Dukang 汝阳杜康酿酒有限公司	16 November 2008, the PRC	Manufacture and sale of baijiu products, Mainland China	RMB165,000,000	100%	100%
Henan Dukang 河南杜康酒业股份有限公司	20 November 2003, the PRC	Manufacture and sale of baijiu products, Mainland China	RMB145,800,000	100%	100%
Ruyang Siji Trading Company Limited 汝阳四季商贸有限公司	4 June 2009, the PRC	Trademarks management, Mainland China	RMB100,000	100%	100%
Luoyang Dukang Sales Company Limited 洛阳杜康酒销售有限公司	22 April 2010, the PRC	Sale and marketing of baijiu products, Mainland China	RMB1,000,000	100%	100%
Luoyang Dukang Baiyi Wine Sales Company Limited 洛阳杜康佰亿酒业销售有限公司	19 April 2013, the PRC	Sale and marketing of baijiu products, Mainland China	RMB20,000,000	100%	100%

The financial statements of the above subsidiaries were audited by BDO Limited for statutory purpose or group consolidation purpose.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 14. INTEREST IN AN ASSOCIATE

	Group	
	2020 RMB'000	2019 RMB'000
At beginning of year	13,671	13,720
Share of profit of an associate	624	770
Impairment loss	(3,172)	(819)
At end of year	11,123	13,671

The following are the particulars of the associate, which is an unlisted corporate entity.

Name of associate	Place of establishment and business	Principal activities	Registered and paid-up capital	Equity interest held by the Group	
				2020	2019
Yichuan Dukang Jiuzu Asset Management Limited ("Yichuan Jiuzu") 伊川杜康酒祖资产管理有限公司	The PRC/ Mainland China	Trademarks management	RMB100,000	49%	49%

The Group's associate is accounted for using the equity method in the consolidated financial statements. The financial statements of the associate are coterminous with those of the Group.

The following table illustrates the summarised financial information of the Group's associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	8,919	7,221
Non-current asset	300,000	300,000
Current liabilities	(1,957)	(1,533)
Net assets	306,962	305,688

### Reconciliation to the Group's interest in an associate:

Proportion of the Group's ownership	49%	49%
Group's share of net assets of associate	150,411	149,787
Accumulated impairment	(139,288)	(136,116)
Carrying amount of the investment	11,123	13,671

### Other disclosures

Revenue	1,700	2,095
Profit and total comprehensive income for the year	1,274	1,571
Dividends received from associate	-	-

# Notes to the Financial Statements

For the year ended 30 June 2020

## 14. INTEREST IN AN ASSOCIATE (Continued)

The Group has not incurred any contingent liabilities or other commitments relating to its interest in an associate.

The amount due to an associate is unsecured, interest-free and repayable by cash on demand.

The financial statements of the Group's associate were audited by BDO Limited for group consolidation purpose.

### **Impairment testing**

The non-current asset of Yichuan Jiuzu mainly includes a trademark which is exclusively licenced to the Group for sale of trademarked products (the "Trademark") and the licence fee payable by the Group is determined based on the agreed royalty rate on the Group's revenue generated by the trademarked products. During the year ended 30 June 2020, in light of the impairment indicators identified for the interest in an associate where the revenue generated from the Group's baijiu products under the Trademark were adversely and continuously impacted by the unfavourable market conditions in Mainland China, which contributed to the drop in the main income stream of Yichuan Jiuzu, i.e. licence fee income from the Group, the directors reviewed the recoverability of the carrying amount of interest in an associate as at 30 June 2020.

In determining the recoverable amount of the Group's interest in an associate, the directors of the Company are of the view that since the Trademark is a very significant asset of Yichuan Jiuzu, the recoverable amount of the Group's share of the Trademark essentially equals to that of interest in an associate. The recoverable amount of the Trademark has been determined by the directors with reference to the professional valuation report issued by an independent and professionally qualified valuer using relief-from-royalty income approach. The calculation uses the cash flow projection, royalty rate and discount rate adopted by the management (Level 3 hierarchy). The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data) and are summarised below.

- A pre-tax discount rate of 20% (2019: 20%) was used which reflects the specific risks associated with the Trademark.
- Revenue was based on anticipated selling prices and was projected based on the historical operating results, the five year forecasts and royalty rates with reference to similar licensing agreements of comparable trademarks.
- The cash flows beyond the five-year period until the expiry of the Trademark is extrapolated using a growth rate of 0% (2019: 0%), which is the long-term estimated average growth rate for Yichuan Jiuzu.

As at 30 June 2020, since the recoverable amount of the interest in an associate (i.e. the Group's share of the Trademark) is lower than its carrying amount, a further impairment loss of RMB3,172,000 (2019: RMB819,000) has been recognised in profit or loss for the year ended 30 June 2020 to write down the carrying amount to its recoverable amount.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 15. PROPERTY, PLANT AND EQUIPMENT

### Group

	Leasehold buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	CIP	Right-of- use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Note (v))	
<b>At 1 July 2018</b>							
Cost	822,101	157,079	4,695	3,997	30,844	-	1,018,716
Accumulated depreciation and impairment	(538,906)	(145,974)	(4,695)	(3,638)	(30,844)	-	(724,057)
<b>Net carrying amount</b>	<b>283,195</b>	<b>11,105</b>	<b>-</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>294,659</b>
<b>Year ended 30 June 2019</b>							
Opening net carrying amount	283,195	11,105	-	359	-	-	294,659
Additions	-	1,289	239	-	273	-	1,801
Depreciation	(23,649)	(2,048)	(210)	(44)	-	-	(25,951)
<b>Closing net carrying amount</b>	<b>259,546</b>	<b>10,346</b>	<b>29</b>	<b>315</b>	<b>273</b>	<b>-</b>	<b>270,509</b>
<b>At 30 June 2019 and 1 July 2019</b>							
Cost	822,101	158,368	4,934	3,997	31,117	-	1,020,517
Accumulated depreciation and impairment	(562,555)	(148,022)	(4,905)	(3,682)	(30,844)	-	(750,008)
<b>Net carrying amount</b>	<b>259,546</b>	<b>10,346</b>	<b>29</b>	<b>315</b>	<b>273</b>	<b>-</b>	<b>270,509</b>
<b>Year ended 30 June 2020</b>							
Opening net carrying amount	259,546	10,346	29	315	273	-	270,509
Effect upon adoption of IFRS 16 at 1 July 2019 (as restated)	-	-	-	-	-	132,589	132,589
Additions	69	340	55	-	-	-	464
Transfer from CIP	273	-	-	-	(273)	-	-
Written off	-	(46)	-	-	-	-	(46)
Depreciation	(23,543)	(2,124)	(32)	-	-	(3,975)	(29,674)
<b>Closing net carrying amount</b>	<b>236,345</b>	<b>8,516</b>	<b>52</b>	<b>315</b>	<b>-</b>	<b>128,614</b>	<b>373,842</b>
<b>At 30 June 2020</b>							
Cost	822,443	158,533	4,989	3,997	30,844	156,303	1,177,109
Accumulated depreciation and impairment	(586,098)	(150,017)	(4,937)	(3,682)	(30,844)	(27,689)	(803,267)
<b>Net carrying amount</b>	<b>236,345</b>	<b>8,516</b>	<b>52</b>	<b>315</b>	<b>-</b>	<b>128,614</b>	<b>373,842</b>



# Notes to the Financial Statements

For the year ended 30 June 2020

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

- (i) All property, plant and equipment held by the Group are located in Mainland China. As at 30 June 2020, certificates of ownership in respect of certain buildings of the Group in Mainland China with an aggregate net carrying amount of RMB61,195,000 (2019: RMB69,964,000) had not been issued by the relevant authorities. The directors anticipate that these certificates, based on the advice from the Group's legal advisors, will be issued in the near future and are of the opinion that the Group legally owns the buildings and the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2020.
- (ii) As at 30 June 2020, the Group's leasehold buildings at the net carrying amount of RMB28,697,000 (2019: RMB31,483,000) were pledged to secure bank loans (note 22).
- (iii) The Group carried out reviews of the recoverable amounts of the property, plant and equipment under the CGU of the baijiu business of the Group (the "Dukang Baijiu CGU") as at the reporting dates. The recoverable amounts of property, plant and equipment were determined by the directors based on the fair value less costs of disposal calculations with reference to professional valuation reports issued by an independent and professionally qualified valuer using direct comparison approach by making reference to the current prices or asking prices of similar assets in similar locations (level 3 hierarchy). There has not been a change in valuation technique during the year.
- (iv) The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets. The net carrying amount of the Group's right-of-use assets included in property, plant and equipment as at 1 July 2019 and 30 June 2020 represented the prepaid land lease payments carried at depreciated cost less accumulated impairment losses.
- (v) Right-of-use of assets under leasing arrangements are presented together with property, plant and equipment with carrying amounts of RMB128,614,000 as at 30 June 2020 (1 July 2019: RMB132,589,000).

Right-of-use assets	Land use rights RMB'000	Long-term prepaid rentals RMB'000	Total RMB'000
<b>At 1 July 2019 (as restated)</b>	118,299	14,290	132,589
Depreciation	(3,700)	(275)	(3,975)
<b>As at 30 June 2020</b>	<b>114,599</b>	<b>14,015</b>	<b>128,614</b>

- (vi) Land use rights and long-term prepaid rentals represented the Group's leasehold interests under operating leases in land located in Mainland China. As at 30 June 2020, the Group's land use rights at the net carrying amount RMB56,104,000 (2019:RMB56,748,000) were pledged to secure bank loans (note 22).
- (vii) The Group was in the process of obtaining the land use right certificates for the Group's leasehold land with net carrying amounts of RMB40,429,000 as at 30 June 2020 (2019: RMB41,290,000). The directors of the Company, based on the advice from the Group's legal advisors, are of the opinion that the Group has obtained the right to use these lands and there will be no legal obstacle for the Group to obtain the relevant land use right certificates.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(viii) A review on the recoverable amounts of the land use rights has been conducted by the directors of the Company as at 30 June 2020 and 2019. The recoverable amounts have been determined by the directors with reference to professional valuation reports issued by an independent and professionally qualified valuer based on the fair value less costs of disposal calculations using direct comparison approach on the assumption of the sale of the land use rights with the benefit of vacant possession and by referring to recent asking price and transactions of comparables on a price per square metre basis (level 3 hierarchy). Since the recoverable amounts of these land use rights are higher than their carrying amounts, no provision for impairment has been made in current year (2019: nil).

## 16. PREPAID LAND LEASE PAYMENTS

	<b>Land use rights</b>	<b>Group Long-term prepaid rentals</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>At 1 July 2018</b>			
Cost	139,813	16,490	156,303
Accumulated amortisation	(17,814)	(1,925)	(19,739)
<b>Net carrying amount</b>	<b>121,999</b>	<b>14,565</b>	<b>136,564</b>
<b>Year ended 30 June 2019</b>			
Opening net carrying amount	121,999	14,565	136,564
Amortisation	(3,700)	(275)	(3,975)
<b>Closing net carrying amount</b>	<b>118,299</b>	<b>14,290</b>	<b>132,589</b>
<b>At 30 June 2019 and 1 July 2019</b>			
Cost	139,813	16,490	156,303
Accumulated amortisation	(21,514)	(2,200)	(23,714)
<b>Net carrying amount</b>	<b>118,299</b>	<b>14,290</b>	<b>132,589</b>
<b>Year ended 30 June 2020</b>			
Opening net carrying amount	118,299	14,290	132,589
Effect upon adoption of IFRS16 at 1 July 2019	(118,299)	(14,290)	(132,589)
<b>Closing net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2020</b>			
Cost	-	-	-
Accumulated amortisation	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>

The carrying amount of the prepaid land lease payments is reclassified to property, plant and equipment as right-of-use assets upon the initial application of IFRS 16 as at 1 July 2019.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 17. INTANGIBLE ASSETS

	Group	
	2020	2019
	RMB'000	RMB'000
Trademark, at cost	40,000	40,000
Accumulated impairment	(40,000)	(40,000)
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>

The Group classified its trademark as intangible assets with indefinite useful life. The Group completed its annual impairment review on the recoverable amount of the trademark as at the reporting dates. Such recoverable amount has been determined by the directors with reference to the professional valuation report issued by an independent and professionally qualified valuer using relief-from-royalty income approach. The calculation uses cash flow projection, royalty rate and discount rate adopted by the management (Level 3 hierarchy). The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data) and are summarised below.

- A pre-tax discount rate of 20% (2019: 20%) was used which reflects the specific risks associated with the trademark.
- Revenue was based on anticipated selling prices and projected based on the historical operating results, the five year forecasts and royalty rates with reference to similar licensing agreement of comparable trademark.
- The cash flows beyond the five-year period until the expiry of trademark is extrapolated using a growth rate of 0% (2019: 0%), which is the long-term estimated average growth rate for the Dukang Baijiu CGU.

As at 30 June 2019, since the recoverable amount of the trademark is lower than its carrying amount, impairment loss of RMB280,000 has been recognised in profit or loss to write down the carrying amount of trademark to its recoverable amount. The carrying amount of the trademark was fully impaired and no impairment loss has been recognized in profit and loss for the financial year ended 30 June 2020.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2020	2019
	RMB'000	RMB'000
<b>Non-current assets</b>		
Prepayments	731	-
<b>Current assets</b>		
Prepayments	14,850	35,946
VAT receivables	1,802	3,706
Deposits	30	30
	<b>16,682</b>	<b>39,682</b>

Non-current prepayments represents the prepaid fixed lease payments for the lease term commencing on 1 January 2021.

Included in prepayments are balances of RMB11,072,000 (2019: RMB29,728,000) which arose from returns of purchased and fully paid raw materials to the Group's suppliers in prior financial years.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 19. INVENTORIES

	Group	
	2020	2019
	RMB'000	RMB'000
Raw materials	25,414	14,668
Work in progress	679,523	662,267
Finished goods	46,199	32,657
	<b>751,136</b>	<b>709,592</b>

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at banks and in hand. The Group had cash and bank balances denominated in RMB amounting to RMB121,473,000 (2019: RMB156,029,000) which were deposited with banks in Mainland China and held in hand. RMB is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The Company did not have cash and bank balances denominated in RMB at the reporting date.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate on cash placed with banks for the year ended 30 June 2020 was 0.35% (2019: 0.35%) per annum.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2020	2019
	RMB'000	RMB'000
HKD	33	42
SGD	-	102
USD	11	15

# Notes to the Financial Statements

For the year ended 30 June 2020

## 21. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Accrued liabilities and provisions	35,509	34,098	6,448	5,836
Provision of losses on litigation	19,858	19,000	-	-
Payables to contractors	12,258	12,189	-	-
VAT and other payables	42,515	49,038	-	-
	<b>110,140</b>	<b>114,325</b>	<b>6,448</b>	<b>5,836</b>

As at 30 June 2020, the Group's other payables include an amount of RMB18,762,000 (2019: RMB22,438,000) due to a director of the Company. The amount, which mainly represented certain expenses paid on behalf of the Group by the director, is unsecured, interest-free and repayable on demand.

- (i) Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2020 RMB'000	2019 RMB'000
HKD	13,614	12,101
SGD	9,871	6,656
TWD	1,086	525
USD	645	305

## 22. BANK LOANS, SECURED

	Group		Group	
	2020 Effective interest rate per annum	2019 Effective interest rate per annum	2020 RMB'000	2019 RMB'000
<b>Current</b>				
Bank loans	6.53%	6.53%	115,000	115,000

The Group's interest-bearing bank loans are secured by the Group's leasehold buildings and right-of-use assets as disclosed in note 15, and guaranteed by a director, and repayable within one year.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 23. DEFERRED TAXATION

Deferred tax liabilities are attributed to the differences between fair values of identifiable assets and liabilities and their carrying values which arose from acquisition of subsidiaries.

The movement of the deferred tax liabilities is as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	11,306	11,591
Credited to profit or loss (note 11)	(285)	(285)
At end of the year	<b>11,021</b>	11,306

As at 30 June 2020, the Group has deductible temporary differences of RMB278,106,000 (2019: RMB283,129,000) mainly arising from impairment losses recognised in respect of property, plant and equipment. The Group also has unrecognised estimated tax losses of RMB334,174,000 (2019: RMB344,246,000) arising from its certain subsidiaries. These estimated tax losses will expire in the next one to five financial years for offsetting against future taxable profits of the subsidiaries in which the losses arose. Tax losses of RMB71,891,000 has expired in the financial year ended 30 June 2020, the remaining tax losses would expire in the following years:

	2020	2019
	RMB'000	RMB'000
Expiry in year:		
2020	-	71,891
2021	<b>28,463</b>	28,463
2022	<b>95,170</b>	95,170
2023	<b>79,924</b>	79,924
2024	<b>68,798</b>	68,798
2025	<b>61,819</b>	-
	<b>334,174</b>	344,246

No deferred tax asset has been recognised in relation to these items as it is unpredictable whether taxable profit will be available against which these items can be utilised.

As at 30 June 2020, temporary differences relating to the undistributed profits of subsidiaries and associate amounted to RMB650,939,000 (2019: RMB662,657,000). No deferred tax liabilities have been recognised as at 30 June 2020 and 30 June 2019 as the Group is in a position to control the dividend policies of these entities and it is probable that these profits will not be distributed to non-PRC entities in the foreseeable future.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 24. SHARE CAPITAL

	Par value	Number of ordinary shares (in '000)	RMB'000
<b>Authorised:</b>			
At 1 July 2018, 30 June 2019 and 2020 (HK\$4.00 per share)	HK\$4.0	100,000	371,239
<b>Issued:</b>			
At 1 July 2018, 30 June 2019 and 2020 (HK\$4.00 per share)	HK\$4.0	79,829	279,499

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

## 25. RESERVES

### Group

(a) Share premium

The share premium account arises on shares issued at a premium.

(b) Statutory reserves

Statutory reserves comprise statutory surplus reserve and enterprise expansion reserve of the subsidiaries established in the PRC. In accordance with the relevant laws and regulations of the PRC, the Group may be required to transfer 10% of its profit after tax to the statutory surplus reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital. In addition, the Group may be required to make an allocation from its profit after tax to the enterprise expansion reserve. The enterprise expansion reserve may be used for expansion of production facilities or increase in registered capital.

(c) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the issued capital of the Company and the nominal value of the issued capital and share premium of the subsidiaries acquired pursuant to the Company's group restructuring exercise on 10 July 2008 (the "Reorganisation").

### Company

The contributed surplus of the Company arose as a result of the Reorganisation and represented the excess of the consolidated net assets of the subsidiaries then acquired over the nominal value of the Company's shares issued in exchange thereof.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 26. COMMITMENTS - GROUP

### Capital commitments

The Group had the following outstanding capital commitments:

Group	
2020	2019
RMB'000	RMB'000
Contracted, but not provided for, in respect of:	
- Property, plant and equipment, including CIP	
<b>51,790</b>	53,734

## 27. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with a related parties at rates and terms agreed by and between the parties:

	2020	2019
	RMB'000	RMB'000
Licence fees payable/paid to an associate	1,700	2,095
Expenses paid on behalf of the Group by a director of the Company	8,574	8,372

The amount represented licence fees payable/paid to an associate, Yichuan Jiuzu. The licence fees were made according to the terms of the licence agreement.

The outstanding balances as at 30 June with related parties are disclosed in notes 14 and 21 to the financial statements.

- (b) Compensation of key management personnel

Key management includes members of the board of directors and other members of senior management of the Group. The compensation paid or payable to key management personnel is shown below:

	2020	2019
	RMB'000	RMB'000
- Short term employee benefits	4,590	4,699
- Retirement scheme contributions	87	139
	<b>4,677</b>	4,838



# Notes to the Financial Statements

For the year ended 30 June 2020

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk, business risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivative or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

### 28.1 Summary of financial assets and liabilities by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Amortised cost				
- Deposits	30	30	-	-
- Amounts due from a subsidiary	-	-	4,560	11,486
- Cash and cash equivalents	121,877	156,501	8	10
	<b>121,907</b>	<b>156,531</b>	<b>4,568</b>	<b>11,496</b>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
- Trade payables	85,072	55,987	-	-
- Accrued liabilities and other payables	70,812	73,009	6,448	5,836
- Bank loans, secured	115,000	115,000	-	-
- Amount due to an associate	8,887	7,170	-	-
	<b>279,771</b>	<b>251,166</b>	<b>6,448</b>	<b>5,836</b>

### 28.2 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have significant exposure to foreign currency risk as the Group's businesses are principally located in Mainland China and the Group's transactions are mainly conducted and denominated in RMB, which is the functional currency of majority of the Group's subsidiaries. The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant.

The Company does not have significant exposure to foreign currency risk as at 30 June 2020 and 30 June 2019.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 28.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates.

The Group's interest rate risk arises mainly from bank deposits and bank loans. Bank deposits at floating interest rate expose the Group to cash flow interest rate risk. Loans at fixed interest rate expose the Group to fair value interest rate risk. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

#### *Sensitive analysis - Group*

The interest rates of the Group's bank deposits and bank loans are disclosed in notes 20 and 22 to the financial statements, respectively. At 30 June 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, which was considered reasonably possible by management, with all other variables held constant, would decrease/increase the Group's loss for the year and increase/decrease the accumulated loss (2019: retained profits) by RMB911,000 (2019: RMB1,171,000).

### 28.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties and deposits paid in the ordinary course of its operations and its investing activities.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's and the Company's substantial cash and bank balances as at 30 June 2020 (99%) and 30 June 2019 (93%) are mainly maintained with two authorised and reputable major banks in Mainland China. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and cash equivalents have been measured based on 12-month expected credit loss model. At the reporting date, the Group did not expect any material credit losses from non-performance by these banks which are assigned with investment grade ratings of generally at least Baa2 by international credit-rating agencies.

The Group has no significant concentration of credit risk due to its large customer base. In respect of deposits, and the Company's balance with a subsidiary, the management makes periodic as well as individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management believes that there is no material credit risk inherent in the Group's outstanding balance of deposits, as well as the Company's outstanding balances with a subsidiary.

For amounts due from a subsidiary, Board of Directors has taken into account information that it has available internally about this subsidiary past, current and expected operating performance and cash flow position. Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amounts due from a subsidiary, by considering its performance ratio and any default in external debts. The risk of default is considered to be minimal as this subsidiary has sufficient cash to repay its debts. Therefore, amounts due from a subsidiary has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

None of the Group's and Company's financial assets are secured by collateral or other credit enhancement.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 28.5 Business risk

The Group's primary businesses are the manufacturing and sale of baijiu products. The Group's financial results are influenced by the changes in prices of baijiu, as well as by the Group's ability to maintain or renew all requisite certificates and business licences from relevant regulatory authorities in the PRC which the Group requires to operate in the manufacturing and sale of baijiu products.

### 28.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued liabilities and other payables, bank loans and amount due to an associate, and also in respect of its cash flow management.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, trade financing and capital market financing. Liquidity risk is monitored on an on-going basis.

The Group's aggregate available undrawn facilities amounted to RMB465,000,000 (2019: RMB572,000,000), of which none has been utilised as at 30 June 2020 (2019: Nil). The facilities of the Group are available up to January 2021 and were pledged by the Group's inventories.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 28.6 Liquidity risk (Continued)

The tables below analyse the Group's and Company's financial liabilities into relevant maturity grouping based on the remaining contractual maturities at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

#### Group

	Carrying amount	Within one year or on demand	Total undiscounted amount
	RMB'000	RMB'000	RMB'000
<b>As at 30 June 2020</b>			
Trade payables	85,072	85,072	85,072
Accrued liabilities and other payables	70,812	70,812	70,812
Bank loans, secured	115,000	118,875	118,875
Amount due to an associate	8,887	8,887	8,887
	<b>279,771</b>	<b>283,646</b>	<b>283,646</b>

#### As at 30 June 2019

Trade payables	55,987	55,987	55,987
Accrued liabilities and other payables	73,009	73,009	73,009
Bank loans, secured	115,000	118,700	118,700
Amount due to an associate	7,170	7,170	7,170
	<b>251,166</b>	<b>254,866</b>	<b>254,866</b>

#### Company

	Carrying amount	Within one year or on demand	Total undiscounted amount
	RMB'000	RMB'000	RMB'000
<b>As at 30 June 2020</b>			
Accrued liabilities and other payables	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>
<b>As at 30 June 2019</b>			
Accrued liabilities and other payables	5,836	5,836	5,836

# Notes to the Financial Statements

For the year ended 30 June 2020

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 28.7 Fair value measurements

The fair values of deposits, amounts due from a subsidiary, cash and cash equivalents, trade payables, accrued liabilities and other payables, bank loans and amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

## 29. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods which commensurate with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regards total equity presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 30 June 2020 amounted to RMB945,737,000 (2019: RMB1,018,290,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is subject to the requirement to maintain statutory reserves as disclosed in note 25(b) to the financial statements. The Group is in compliance with this externally imposed capital requirement for the financial years ended 30 June 2020 and 30 June 2019.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 30. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

*Changes in liabilities arising from financing activities*

	<b>Bank loans</b>	<b>Amount due to a director</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	(Note 22)	(Note 21)
At 1 July 2018	115,000	13,423
Changes from financing cash flows		
- Proceeds from bank loans	115,000	-
- Repayments of bank loans	(115,000)	-
- Advance from a director	-	8,458
Foreign exchange movement	-	557
At 30 June 2019 and 1 July 2019	115,000	22,438
Changes from financing cash flows		
- Proceeds from bank loans	115,000	-
- Repayments of bank loans	(115,000)	-
- Repayment to a director	-	(2,864)
Foreign exchange movement	-	(812)
At 30 June 2020	115,000	18,762

## 31. LITIGATION

The Group had a dispute with an independent third party (the "Plaintiff"), who is the assignee of alleged original creditor's right in respect of loans of RMB14.3 million, over certain borrowing arrangements entered into between Mr. Gao Feng, the then chairman of the Company (the "1st defendant"), and an original creditor. It was alleged that (i) a subsidiary (the "subsidiary" or "2nd defendant") as well as a former subsidiary (the "former subsidiary" or "3rd defendant") are obliged to repay the alleged borrowings as the Plaintiff presented certain receipts (the "borrowing receipts") which were signed by the 1st defendant and the original creditor and were stamped with company chops of 2nd defendant and 3rd defendant, (ii) the company chops of 2nd defendant and 3rd defendant that were stamped on the borrowing receipts were forged, and (iii) the defendants failed to repay the borrowed amount on time. Legal action was taken by the Plaintiff against the defendants in May 2016 for the claim of the borrowed amount.

Subsequent to the date of authorisation of the financial statements for the year ended 30 June 2016, the subsidiary received the civil judgement from the People's Court of Huiji District of Zhengzhou City (the "First Judgement") which ruled against the subsidiary and ordered both the subsidiary and the former subsidiary to repay the alleged loan principal of RMB14.3 million and accrued interest. The subsidiary later filed an appeal to Zhengzhou Intermediate People's Court against the judgement. In January 2017, the subsidiary received the judgment from Zhengzhou Intermediate People's Court (the "Second Judgement") where the court overruled decision on the First Judgement on the basis that the basic facts are unclear in the First Judgement and decided that (i) the decision made on the First Judgement is rescinded and (ii) the case is remanded to the People's Court of Huiji District of Zhengzhou City for retrial.

# Notes to the Financial Statements

For the year ended 30 June 2020

## 31. LITIGATION (Continued)

On 9 February 2018, the subsidiary received the civil judgement from the People's Court of Huiji District of Zhengzhou City (the "Third Judgement") which ruled against the subsidiary and ordered both the subsidiary and the former subsidiary to repay the alleged loan principal of RMB14.3 million and accrued interest. The subsidiary later filed an appeal to Zhengzhou Intermediate People's Court against the Third Judgement. The appeal hearing in regard to the Third Judgement was taken place on 3 July 2018 and no judgement has yet been handed down up to the date of authorisation of the financial statements for the year ended 30 June 2018. The directors, based on all facts and circumstances and legal advice, has set up a provision in relation to the Third Judgement in the total amount of RMB16,297,000 (including alleged loan principal, accrued interest and other legal costs) as at 30 June 2018.

On 22 October 2018, the subsidiary received the civil judgement from Zhengzhou Intermediate People's Court which ruled out the subsidiary from the Third Judgement and ordered the former subsidiary as the only defendant to repay the alleged loan principal of RMB14.3 million and accrued interest (the "Forth Judgement"). The Plaintiff later filed an appeal to Henan High People's Court against the Forth Judgement on 11 February 2019. The directors, based on all facts and circumstances and legal advice, has made additional provision for accrued interest of RMB858,000 for the year ended 30 June 2019.

On 10 June 2020, the subsidiary received the civil judgement from Henan High People's Court which rejected the appeal filed by the Plaintiff on 11 February 2019 against the Forth Judgement, and upheld the Forth Judgement that the subsidiary is not liable for the alleged loan principal of RMB14.3 million and the accrued interest (the "Fifth Judgement").

The legal case has no further development since June 2020 to the date of this report. Based on all facts and circumstances and legal advice that the Plaintiff may still file an appeal to the Supreme People's Court of the PRC against the Fifth Judgement issued by Henan High People's Court, the directors are of the view that the legal case is not considered as final and conclusive. Accordingly, an additional provision for accrued interest of RMB858,000 (note 8) has been made by the directors for the financial year ended 30 June 2020.

## 32. PROPOSED TRANSACTIONS

On 17 November 2018, the Company entered into a conditional acquisition and disposal agreement (the "Agreement") with Keen Wind Limited ("Keen Wind"). Subject to the terms and conditions of the Agreement, the Company and Keen Wind have entered into the below transactions (collectively, the "Proposed Transactions"):

- (a) Keen Wind will sell, and the Company will acquire, all the issued and paid-up shares in the capital of Great Resolute Limited ("Great Resolute") held by Keen Wind, representing 100% of the issued shares in Great Resolute; and
- (b) The Company will dispose of, and Keen Wind will purchase, all the issued and paid-up shares in the capital of Sea Will International Limited ("Sea Will") held by the Company, representing 100% of the issued shares in Sea Will ("Dukang Disposal").

Pursuant to the Agreement, the completion of the Proposed Transactions is subject to certain conditions to be fulfilled. The Parties have on 30 June 2020 mutually agreed in writing, by way of a side letter ("Further Extension Side Letter"), to further extend the Long-Stop Date to (and including) 31 March 2021 (or such later date as may be agreed by the Parties in writing).

# Notes to the Financial Statements

For the year ended 30 June 2020

## 32. PROPOSED TRANSACTIONS (Continued)

As at the reporting date, these conditions are yet to be completed, including the approval from the requisite majority of the independent shareholders as well as the SGX-ST in relation to the Proposed Transactions. In addition, the relevant formal transaction circular has yet to be submitted to SGX-ST for review and approval, and the independent shareholders meeting has yet to be held. Accordingly, the directors of the Company consider that the Proposed Transactions have yet to be completed as at the reporting date.

For details of the Proposed Transactions, please refer to the announcement dated 17 November 2018, 15 November 2019, 8 June 2020 and 30 June 2020.

## 33. SIGNIFICANT EVENT DURING THE YEAR

Since the outbreak of the 2019 Novel Coronavirus ("COVID-19") began in January 2020 in PRC, the Group has actively taken measures to implement the regulations and requirements posted by the local governments on coronavirus epidemic prevention and control.

The Group expected the coronavirus outbreak would have a certain temporary impact on business operation as the Group postponed the resumption of operation following the Chinese New Year holidays until the beginning of March 2020, which led to a one-month delay. Accordingly, there were slight delays in meeting the delivery schedule in February 2020 for some of the orders.

The temporary economic slowdown from the COVID-19 outbreak may lead to a reduction in the overall consumption of baijiu in the market which in turn may indirectly affect the Group's financial performance. Based on the latest financial information subsequent to the year end, revenue was down approximately 7% on the same period in the prior year. The management expects that with the coming traditional peak season of the baijiu business during January to March 2021, the Group's revenue should improve and the Group's result for FY2021 is expected to be similar to FY2020. The Group is unable to quantify the financial impact for FY2021 as it will depend on economic sentiment and consumer confidence beyond the Group's sphere of influence. The Group is monitoring the situation closely and to mitigate the financial impact, it is conscientiously managing its selling and distribution cost closely and monitoring its cash flows tightly over this period in line with lower sales.

The Group will continuously monitor the development of the COVID-19 outbreak, market condition and adjust its strategy in response to the situation. Save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19.

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 loss-making baijiu business and enter into the kiwifruit cultivation and processing industry as announced on 17 November 2018, 15 November 2019, and 30 June 2020. The Company announced on 30 June 2020 that as more time is required to fulfil the conditions precedent in respect of a conditional acquisition and disposal agreement dated 17 November 2018, and the parties have on 30 June 2020 mutually agreed in writing, by way of a side letter to further extend the Long-Stop Date to (and including) 31 March 2021 (or such later date as may be agreed by the Parties in writing).



## Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 14 October 2020)

The following additional information on Mr. Ho Teck Cheong, Mr. Huo Lei, Mr. Jia Guobiao and Mr. Zhou Tao, all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 10 and 11 of this Annual Report.

	Ho Teck Cheong	Huo Lei	Jia Guobiao	Zhou Tao
Date of Appointment	1 April 2011	1 September 2014	14 February 2014	28 February 2008
Date of last re-appointment (if applicable)	27 October 2017	27 October 2017	27 October 2017	27 October 2017
Age	62	41	52	50
Country of principal residence	Hong Kong	China	China	China
The Board's comments on this appointment (In the Company's case, the Board's comments on this re-election)	<p>The Nominating Committee ("NC"), having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Ho Teck Cheong's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Ho Teck Cheong who will be retiring by rotation pursuant to Bye-law 85(6) of the Company's Bye-laws at the forthcoming Annual General Meeting ("AGM").</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Ho Teck Cheong had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>	<p>The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Huo Lei's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Huo Lei who will be retiring by rotation pursuant to Bye-law 85(6) of the Company's Bye-laws at the forthcoming AGM.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Huo Lei had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>	<p>The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Jia Guobiao's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Jia Guobiao who will be retiring by rotation pursuant to Bye-law 85(6) of the Company's Bye-laws at the forthcoming AGM.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Jia Guobiao had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>	<p>The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Zhou Tao's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Zhou Tao who will be retiring by rotation pursuant to Bye-law 85(6) of the Company's Bye-laws at the forthcoming AGM.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Zhou Tao had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>

## Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 14 October 2020)

	Ho Teck Cheong	Huo Lei	Jia Guobiao	Zhou Tao
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mr. Huo Lei is responsible for the overall general administration and personnel management of the Group.	Non-Executive	Executive Mr. Zhou Tao is responsible for the overall business direction and development as well as supervising the overall sales, marketing and branding activities of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.	Executive Director	Non-Executive and Non-Independent Director	Executive Chairman and Chief Executive Officer
Professional qualifications	Please refer to the Directors' respective biographies on pages 10 and 11 of this Annual Report.			
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 10 and 11 of this Annual Report.			
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil

## Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 14 October 2020)

	Ho Teck Cheong	Huo Lei	Jia Guobiao	Zhou Tao
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer – Yes / No	Yes	Yes	Yes	Yes
Other Principal Commitments*	Nil	Nil	Nil	Nil
Other Directorships for the past 5 years	Nil	Nil	Nil	Nil
Other Present Directorships	Director and Sole Shareholder of D-Innovation Base (BVI) Limited Director of DIB Products Company Limited Independent Non-Executive Director of Singamas Container Holdings Limited	Nil	Nil	Nil
Disclosure applicable to appointment of Director only	Not applicable	Not applicable	Not applicable	Not applicable
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).				

## Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 14 October 2020)

The Company confirms that there is no change in the declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected, which should be a "no".

*\*The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

## Shareholders' Information

As at 18 September 2020

Class of shares	: Ordinary shares of HK\$4.00 each
Authorised share capital	: HK\$400,000,000.00
Issued and fully paid-up capital	: HK\$319,315,727.20
Number of Shares issued	: 79,828,927
Voting rights	: One vote per share

The Company does not hold any Treasury Shares and subsidiary holdings.

### STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	8	0.75	264	0.00
100 - 1,000	327	30.53	213,430	0.27
1,001 - 10,000	585	54.62	2,251,351	2.82
10,001 - 1,000,000	146	13.63	10,786,943	13.51
1,000,001 and above	5	0.47	66,576,939	83.40
	<b>1,071</b>	<b>100.00</b>	<b>79,828,927</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 18 SEPTEMBER 2020

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Bright Sing Group Limited <sup>(1)</sup>	11,448,449	14.34	-	-
Kaifeng Tian Feng Mills Co., Limited <sup>(1)</sup>	-	-	11,448,449	14.34
Dou Wu <sup>(1)</sup>	-	-	11,448,449	14.34
Zhengzhou Yingbao Enterprise Management Consulting Co., Ltd <sup>(1)</sup>	-	-	11,448,449	14.34
Yang Qingwei <sup>(1)</sup>	-	-	11,448,449	14.34
Wang Weiqing <sup>(1)</sup>	-	-	11,448,449	14.34
Treasure Winner Holdings Limited <sup>(2)</sup>	23,551,551	29.50	-	-
Wang Peng <sup>(2)</sup>	-	-	23,551,551	29.50
Keping Guo	8,635,560	10.82	-	-

#### Notes:

- (1) Bright Sing Group Limited is the nominee for Kaifeng Tian Feng Mills Co., Limited ("Kaifeng") and is directly interested in the 11,448,449 ordinary shares in the Company. Kaifeng is 20% owned by Dou Wu and 80% owned by Zhengzhou Yingbao Enterprise Management Consulting Co., Ltd ("Zhengzhou Yingbao"). Zhengzhou Yingbao is in turn 60% owned by Wang Weiqing and 40% owned by Yang Qingwei. Accordingly, each of Dou Wu, Zhengzhou Yingbao, Wang Weiqing and Yang Qingwei is deemed interested in the 11,448,449 ordinary shares in the Company.
- (2) Treasure Winner Holdings Limited ("Treasure Winner") is wholly-owned by Mr. Wang Peng and as such, Mr. Wang Peng is deemed interested in 23,551,551 ordinary shares in the Company.

## Shareholders' Information

As at 18 September 2020

No.	Name of Shareholders	Number of Shares	%
1.	CITIBANK NOMINEES SINGAPORE PTE LTD	23,287,101	29.17
2.	UOB KAY HIAN PRIVATE LIMITED	21,611,518	27.07
3.	TREASURE WINNER HOLDINGS LIMITED	17,500,000	21.92
4.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,881,700	3.61
5.	PHILLIP SECURITIES PTE LTD	1,296,620	1.62
6.	OCBC SECURITIES PRIVATE LIMITED	959,610	1.20
7.	LIM KIM HONG	750,000	0.94
8.	WANG CHUN-JYE	578,900	0.73
9.	HENRY QUEK PENG HOCK	444,755	0.56
10.	DBS NOMINEES (PRIVATE) LIMITED	427,451	0.54
11.	MERRILL LYNCH (SINGAPORE) PTE. LTD.	417,004	0.52
12.	HAH TIING SIU	367,770	0.46
13.	MAYBANK KIM ENG SECURITIES PTE. LTD.	286,000	0.36
14.	TAN PING	273,700	0.34
15.	WEE CHOON KEONG	252,500	0.32
16.	GOH BEE LAN	227,060	0.28
17.	LUO BAIWEN	226,800	0.28
18.	WANG YISHENG	218,000	0.27
19.	LEE LIAT SENG @ PETER LEE	170,000	0.21
20.	LIU JIN	165,630	0.21

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

45.34% of the Company's shares are held in the hands of public. Accordingly, the Company has complied able to comply with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of Annual General Meeting

**Due to the COVID-19-related control and safe distancing measures put in place in Singapore, members of the Company will not be able to attend the AGM in person. Please refer to the notes to this Notice of AGM for further details.**

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM” or “Meeting”) of Dukang Distillers Holdings Limited (the “Company”) will be held at 9 Straits View #06-07, Marina One West Tower, Singapore 018937 by way of electronic means on Friday, 30 October 2020 at 2.30 p.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company for the financial year ended 30 June 2020 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Bye-Law 86(1) of the Bye-Laws of the Company:

Mr. Ho Teck Cheong

**(Resolution 2)**

Mr. Huo Lei

**(Resolution 3)**

Mr. Jia Guobiao

**(Resolution 4)**

Mr. Zhou Tao

**(Resolution 5)**

*Mr. Ho Teck Cheong will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and members of the Nominating and Remuneration Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

*The information relating to Mr. Ho Teck Cheong, Mr. Huo Lei, Mr. Jia Guobiao and Mr. Zhou Tao as required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited is set out on pages 108 to 111 of the Annual Report.*

3. To approve the payment of Directors’ fees of S\$310,000 for the financial year ending 30 June 2021, to be paid half-yearly in arrears (FY2020: S\$310,000). **(Resolution 6)**

4. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore to act jointly and severally as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

### 6. SHARE ISSUE MANDATE

That pursuant to Bye-law 12(3) of the Company’s Bye-Laws and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be given to the Directors of the Company to issue shares (“Shares”) whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

## Notice of Annual General Meeting

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:
  - (i) new shares arising from the conversion or exercise of convertible securities;
  - (ii) new shares arising from exercising share options or vesting of Share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and
- (d) that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (i)]

**(Resolution 8)**

By Order of the Board

Ho Hin Yip  
Toh Li Ping, Angela  
Company Secretaries

14 October 2020

### **Explanatory Note to Resolution to be passed –**

- (i) The Ordinary Resolution 8 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.



# Notice of Annual General Meeting

## Notes:

### General

1. Pursuant to the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period and checklist jointly issued by the Accounting and Corporate Regulatory Authority (“**ACRA**”), the Monetary Authority of Singapore (“**MAS**”) and Singapore Exchange Regulation on 13 April 2020, which is based on the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended) and Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation jointly issued by the ACRA, the MAS and Singapore Exchange Regulation on 1 October 2020, notwithstanding the place in which the AGM is to be physically held, other than in respect of the Chairman, Directors and/or representatives of the Company present at such location, the AGM of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. Printed copies of this Notice of AGM and the relevant proxy forms will be sent to members, the electronic copies of which will also be posted on the Company’s website at [www.ddhlimited.com](http://www.ddhlimited.com) and the SGXNet.
2. Alternative arrangements are instead put in place to allow members to participate in the AGM by:
  - (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Note 3 below;
  - (b) voting by proxy at the AGM. Please refer to Notes 5 to 12 below for further details; and
  - (c) submitting questions ahead of the AGM. Please refer to the Notes 13 and 14 below for further details. In addition, shareholders will be provided an opportunity to ask questions during the Live Webcast.

### Participation in AGM proceedings via “live webcast”

3. A member of the Company or their corporate representative (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a “live” webcast via mobile phone, tablet or computer (“**Live Webcast**”). In order to do so, the member must pre-register by 2.30 p.m. on Tuesday, 27 October 2020 (“**Registration Cut-Off Time**”), at the following URL: [https://rajahtann.zoom.us/webinar/register/WN\\_mf7gbb7vTRyp3M-SFWP-xA](https://rajahtann.zoom.us/webinar/register/WN_mf7gbb7vTRyp3M-SFWP-xA).
4. It is important that you provide your email address in your registration form. Following authentication of his/her/its status as a member of the Company, such member will receive an email on their authentication status containing login credentials to access the Live Webcast of the AGM proceedings by Wednesday, 28 October 2020. Members and CPF/SRS investors who do not receive any email by 2.30 p.m. on Thursday, 29 October 2020, but have registered by the Registration Cut-Off Time, should contact the Company at [dukang.agm@rajahtann.com](mailto:dukang.agm@rajahtann.com), with the following details included: (1) the full name of the shareholder; and (2) his/her/its identification/registration number.

### Voting by proxy

5. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the meeting as proxy (“**Proxy Form**”), failing which the appointment will be treated as invalid.
6. The Chairman of the Meeting, as proxy, need not be a member of the Company.

## Notice of Annual General Meeting

7. The proxy form is not valid for use by Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify his/her voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator at least 7 working days before the date of the AGM to submit his/her voting instructions.
8. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if such members are not shown to have Shares entered against their names in the Depository Register (as defined in Part IIIAA of the Securities and Futures Act, Chapter 289 of Singapore), as at 48 hours before the time appointed for holding this AGM as certified by The Central Depository (Pte) Limited to the Company.
9. The Proxy Form must be submitted through any one of the following means:
  - (a) by depositing a physical copy at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623; or
  - (b) if submitted electronically, be submitted via email to the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at [dukangagm@boardroomlimited.com](mailto:dukangagm@boardroomlimited.com);in each case, not later than 2.30 p.m. on 28 October 2020, and failing which, the Proxy Form will not be treated as valid.
10. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM.
12. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.

### Submission of questions prior to the AGM and opportunity to raise questions during the AGM

13. Although members and investors will be able to ask questions "live" during the Live Webcast, all members and investors of the Company are strongly encouraged to submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, no later than 2.30 p.m. on 27 October 2020, to facilitate the conduct of the AGM:
  - (a) in physical copy by depositing the same at the registered office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623; or
  - (b) by email to Mr. Ho Hin Yip at [raymond@dukangwine.com](mailto:raymond@dukangwine.com).

## Notice of Annual General Meeting

14. If the questions are deposited in physical copy at the Company's registered office of the Company's Share Transfer Agent or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions for verification purposes, failing which the submission will be treated as invalid: (i) the member's full name; and (ii) his/her/its identification/registration number.

The Company will endeavour to address questions which are substantial and relevant prior to, or at, the AGM proceedings received by 2.30 p.m. on 27 October 2020. Members will also be provided an opportunity to ask questions during the Live Webcast.

### **Personal data privacy:**

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company: (i) consents to the collection, use and disclosure of such member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where such member discloses the personal data of such member's proxy(ies) and/or representative(s) to the Company (or its agents), such member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that such member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such member's breach of warranty.

# Corporate Information 公司资料

## **BOARD OF DIRECTORS**

Executive:

Zhou Tao (Executive Chairman and Chief Executive Officer)

Huo Lei (Executive Director)

Non-Executive:

Tan Siok Sing (Calvin) (Lead Independent Director)

Ho Teck Cheong (Independent Director)

Chia Seng Hee, Jack (Independent Director)

Jia Guobiao (Non-Executive and Non-Independent Director)

## **AUDIT COMMITTEE**

Ho Teck Cheong (Chairman)

Chia Seng Hee, Jack

Tan Siok Sing (Calvin)

## **NOMINATING COMMITTEE**

Chia Seng Hee, Jack (Chairman)

Tan Siok Sing (Calvin)

Ho Teck Cheong

## **REMUNERATION COMMITTEE**

Chia Seng Hee, Jack (Chairman)

Tan Siok Sing (Calvin)

Ho Teck Cheong

## **JOINT COMPANY SECRETARIES**

Toh Li Ping, Angela

Ho Hin Yip

## **ASSISTANT COMPANY SECRETARY**

Conyers Corporate Services (Bermuda) Limited

## **BERMUDA SHARE REGISTRAR**

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

## **REGISTERED OFFICE**

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

## **BUSINESS OFFICE**

18/F, SUHE International Centre, East 62, Nongye Road,  
Jinshui District, Zhengzhou City, Henan Province

The People's Republic of China

Telephone number: (86) 371 8751 8038

Fax number: (86) 371 8751 8096

## **SHARE TRANSFER AGENT**

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

## **TAIWAN DEPOSITARY RECEIPTS AGENT**

Far Eastern International Bank (Trust Department)

20th Floor, No. 207, Section 2, Dunhua South Road

Da An District, Taipei City 106, Taiwan

## **JOINT AUDITORS**

BDO Limited

Certified Public Accountants

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

BDO LLP

Public Accountants and Chartered Accountants, Singapore

600 North Bridge Road #23-01

Parkview Square, Singapore 188778

## **AUDIT PARTNER-IN-CHARGE**

BDO Limited – Cheung Or Ping

Appointed wef financial year 30 June 2019

BDO LLP – Khoo Gaik Suan

Appointed wef financial year 30 June 2018



**Dukang Distillers Holdings Limited**

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