

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013

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

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

Group	Three months ended		Increase/ (Decrease) %	Half year ended		Increase/ (Decrease) %
	31 Dec 2013 Unaudited RMB'000	31 Dec 2012 Unaudited RMB'000		31 Dec 2013 Unaudited RMB'000	31 Dec 2012 Unaudited RMB'000	
Revenue	402,766	738,262	(45.4)	792,194	1,144,774	(30.8)
Cost of sales	(260,841)	(446,259)	(41.5)	(501,328)	(691,700)	(27.5)
Gross profit	141,925	292,003	(51.4)	290,866	453,074	(35.8)
Other income	1,537	1,828	(15.9)	2,435	3,415	(28.7)
Selling and distribution expenses	(95,019)	(64,498)	47.3	(173,762)	(114,494)	51.8
Administrative expenses	(34,345)	(40,769)	(15.8)	(64,296)	(67,755)	(5.1)
Operating profit	14,098	188,564	(92.5)	55,243	274,240	(79.9)
Finance costs	(2,991)	(995)	200.6	(3,840)	(1,465)	162.1
Share of profit of an associate	2,223	3,797	(41.5)	3,302	4,915	(32.8)
Profit before income tax	13,330	191,366	(93.0)	54,705	277,690	(80.3)
Income tax expense	(3,291)	(47,403)	(93.1)	(14,212)	(69,823)	(79.6)
Profit for the period, attributable to the owners of the Company	10,039	143,963	(93.0)	40,493	207,867	(80.5)
Other comprehensive income for the period						
Item that may be reclassified subsequently to profit or loss:						
Exchange gain on translation of financial statements of foreign operations	27	19	42.1	57	50	14.0
Total comprehensive income for the period, attributable to the owners of the Company	10,066	143,982	(93.0)	40,550	207,917	(80.5)

Notes:

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

	Group		Increase/ (Decrease) %	Group		Increase/ (Decrease) %
	Three months ended 31 Dec 2013 Unaudited RMB'000	31 Dec 2012 Unaudited RMB'000		Half year ended 31 Dec 2013 Unaudited RMB'000	31 Dec 2012 Unaudited RMB'000	
Interest income	993	951	4.4	1,638	1,791	(8.5)
Interest expenses	(2,991)	(995)	200.6	(3,840)	(1,465)	162.1
Depreciation of property, plant and equipment	(6,822)	(4,822)	41.5	(13,279)	(9,412)	41.1
Amortisation of prepaid land lease payments	(598)	(777)	(23.0)	(1,195)	(1,554)	(23.1)

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

	GROUP		COMPANY	
	Unaudited As at 31 Dec 2013 RMB'000	Audited As at 30 Jun 2013 RMB'000	Unaudited As at 31 Dec 2013 RMB'000	Audited As at 30 Jun 2013 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	278,502	278,502
Interest in an associate	148,825	151,915	-	-
Property, plant and equipment	635,883	621,980	-	-
Prepaid land lease payments	119,493	120,688	-	-
Intangible assets	40,000	40,000	-	-
Deposits	175,862	175,862	-	-
	1,120,063	1,110,445	278,502	278,502
Current assets				
Inventories	427,364	343,011	-	-
Trade receivables	25,314	33,482	-	-
Amounts due from subsidiaries	-	-	520,055	520,623
Prepayments, deposits and other receivables	227,402	217,158	-	-
Cash and cash equivalents	664,683	757,591	23	23
	1,344,763	1,351,242	520,078	520,646
Current liabilities				
Trade payables	116,979	185,651	-	-
Amount due to an associate	7,010	13,651	-	-
Accrued liabilities and other payables	97,329	134,038	3,682	2,727
Bank loans, secured	186,000	84,000	-	-
Provision for income tax	4,674	31,349	-	-
	411,992	448,689	3,682	2,727
Net current assets	932,771	902,553	516,396	517,919
Total assets less current liabilities	2,052,834	2,012,998	794,898	796,421
Non-current liabilities				
Deferred tax liabilities	57,365	58,079	-	-
Net assets	1,995,469	1,954,919	794,898	796,421
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,715,970	1,675,420	515,399	516,922
Total equity	1,995,469	1,954,919	794,898	796,421

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

As at 31 December 2013	As at 30 June 2013
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
186,000	-	84,000	-

Amount repayable after one year:

As at 31 December 2013	As at 30 June 2013
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral:

As at 31 December 2013, the Group's bank loans of RMB 186.0 million were secured by charges over part of the Group's existing land use rights and leasehold buildings.

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

	Group		Group	
	Three months ended		Half year ended	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	13,330	191,366	54,705	277,690
Adjustments for:				
Interest income on financial assets stated at amortised cost	(993)	(951)	(1,638)	(1,791)
Interest expenses	2,991	995	3,840	1,465
Depreciation	6,822	4,822	13,279	9,412
Amortisation of land use rights	598	777	1,195	1,554
Share of profit of an associate	(2,223)	(3,797)	(3,302)	(4,915)
Operating profit before working capital changes	20,525	193,212	68,079	283,415
(Increase) /decrease in inventories	(93,511)	8,358	(84,353)	19,314
Decrease/(increase) in trade receivables	6,533	(26,772)	8,168	(3,770)
Increase in prepayments, deposits and other receivables	(21,016)	(19,062)	(10,244)	(9,510)
Increase/(decrease) in trade payables	15,883	80,344	(68,672)	4,837
(Decrease)/increase in accrued liabilities and other payables	(30,940)	9,621	(36,709)	4,873
Decrease in amount due to an associate	(4,526)	(403)	(6,641)	(1,718)
Cash (used in)/generated from operations	(107,052)	245,298	(130,372)	297,441
Income taxes paid	(9,513)	(23,666)	(41,601)	(37,763)
Net cash (used in)/generated from operating activities	(116,565)	221,632	(171,973)	259,678
Cash flows from investing activities				
Purchases of property, plant and equipment	(23,048)	(1,871)	(27,182)	(2,895)
Dividend received from an associate	6,392	-	6,392	-
Interest received	993	951	1,638	1,791
Net cash used in investing activities	(15,663)	(920)	(19,152)	(1,104)
Cash flows from financing activities				
Proceeds from bank loans	162,000	-	162,000	60,000
Repayment of bank loans	-	(15,000)	(60,000)	(55,000)
Interest paid	(2,991)	(995)	(3,840)	(1,465)
Net cash generated from/(used in) financing activities	159,009	(15,995)	98,160	3,535
Net increase/(decrease) in cash and cash equivalents	26,781	204,717	(92,965)	262,109
Cash and cash equivalents at beginning of period	637,875	526,603	757,591	469,180
Effect of foreign exchange rate changes	27	19	57	50
Cash and cash equivalents at end of period	664,683	731,339	664,683	731,339
Analysis of balances of cash and cash equivalents				
Cash at banks and in hand	664,683	731,339	664,683	731,339

1. (d)(i) A statement (for the issuer and group) showing either (a) all changes in equity or (b) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance as at 1 October 2012	279,499	656,811	(150,101)	146,693	4,156	692,054	1,629,112
Profit for the period	-	-	-	-	-	143,963	143,963
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	19	-	19
Total comprehensive income for the period	-	-	-	-	19	143,963	143,982
Balance as at 31 December 2012	279,499	656,811	(150,101)	146,693	4,175	836,017	1,773,094
Balance as at 1 July 2012	279,499	656,811	(150,101)	146,693	4,125	628,150	1,565,177
Profit for the period	-	-	-	-	-	207,867	207,867
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	50	-	50
Total comprehensive income for the period	-	-	-	-	50	207,867	207,917
Balance as at 31 December 2012	279,499	656,811	(150,101)	146,693	4,175	836,017	1,773,094
Balance as at 1 October 2013	279,499	656,811	(150,101)	107,267	4,226	1,087,701	1,985,403
Profit for the period	-	-	-	-	-	10,039	10,039
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	27	-	27
Total comprehensive income for the period	-	-	-	-	27	10,039	10,066
Balance as at 31 December 2013	279,499	656,811	(150,101)	107,267	4,253	1,097,740	1,995,469
Balance as at 1 July 2013	279,499	656,811	(150,101)	107,267	4,196	1,057,247	1,954,919
Profit for the period	-	-	-	-	-	40,493	40,493
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	57	-	57
Total comprehensive income for the period	-	-	-	-	57	40,493	40,550
Balance as at 31 December 2013	279,499	656,811	(150,101)	107,267	4,253	1,097,740	1,995,469

COMPANY	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at 1 October 2012	279,499	656,811	120,523	(39,022)	(188,038)	829,773
Loss for the period	-	-	-	-	(716)	(716)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(7)	-	(7)
Total comprehensive income for the period	-	-	-	(7)	(716)	(723)
Balance as at 31 December 2012	279,499	656,811	120,523	(39,029)	(188,754)	829,050
Balance as at 1 July 2012	279,499	656,811	120,523	(40,336)	(187,322)	829,175
Loss for the period	-	-	-	-	(1,432)	(1,432)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	1,307	-	1,307
Total comprehensive income for the period	-	-	-	1,307	(1,432)	(125)
Balance as at 31 December 2012	279,499	656,811	120,523	(39,029)	(188,754)	829,050
Balance as at 1 October 2013	279,499	656,811	120,523	(65,313)	(195,577)	795,943
Loss for the period	-	-	-	-	(1,062)	(1,062)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	17	-	17
Total comprehensive income for the period	-	-	-	17	(1,062)	(1,045)
Balance as at 31 December 2013	279,499	656,811	120,523	(65,296)	(196,639)	794,898
Balance as at 1 July 2013	279,499	656,811	120,523	(65,325)	(195,087)	796,421
Loss for the period	-	-	-	-	(1,552)	(1,552)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	29	-	29
Total comprehensive income for the period	-	-	-	29	(1,552)	(1,523)
Balance as at 31 December 2013	279,499	656,811	120,523	(65,296)	(196,639)	794,898

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

There was no change in the Company's share capital during the current financial period reported on. The Company had no outstanding convertibles and there were no shares held as treasury shares as at 31 December 2013.

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

	As at	
	31 Dec 2013	30 Jun 2013
Total number of issued shares (excluding treasury shares)	798,289,318	798,289,318

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

Not applicable.

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

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

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

Not applicable.

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

Except for the adoption of the applicable new/revised International Financial Reporting Standards (IFRSs) which became effective for the financial period beginning on or after 1 July 2013, the Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 30 June 2013. The adoption of these revised IFRSs for the current reporting period ended 31 December 2013 did not result in material changes to the Group's results.

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

Please refer to Item 4 above.

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

	Group	
	Three months ended	
	31 Dec 2013	31 Dec 2012
	Unaudited	Unaudited
	RMB cents	RMB cents
Basic	1.26	18.03
Diluted	N/A	N/A

Basic earnings per share (“EPS”) for the period ended 31 December 2013 (“2QFY2014”) was calculated based on the Group’s profit for the period of approximately RMB 10,039,000 (Period ended 31 December 2012 (“2QFY2013”): approximately RMB 143,963,000) divided by the weighted average number of 798,289,318 ordinary shares of HK\$0.40 each (“Shares”) (2QFY2013: 798,289,318 Shares) in issue during 2QFY2014.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- a) current financial period reported on; and**
- b) immediately preceding financial year.**

	Group		Company	
	As at	As at	As at	As at
	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share	249.97	244.89	99.58	99.77
Number of ordinary shares	798,289,318	798,289,318	798,289,318	798,289,318

Net asset value per ordinary share of the Group as at 31 December 2013 was calculated based on the Group’s net assets of approximately RMB 1,995,469,000 as at 31 December 2013 (30 June 2013: approximately RMB 1,954,919,000) divided by 798,289,318 Shares (30 June 2013: 798,289,318 Shares).

Net asset value per ordinary share of the Company as at 31 December 2013 was calculated based on the net assets of approximately RMB 794,898,000 as at 31 December 2013 (30 June 2013: approximately RMB 796,421,000) divided by 798,289,318 Shares (30 June 2013: 798,289,318 Shares).

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

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

Review of Group's Performance**2QFY2014 VS 2QFY2013****Revenue**Luoyang Dukang

<u>2Q FY2014</u>				<u>2Q FY2013</u>			
	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg		Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	76.1	432	176.2	Premium series	226.7	1,136	199.6
Regular series	258.1	8,976	28.8	Regular series	310.2	8,615	36.0
Total	334.2	9,408	35.5	Total	536.9	9,751	55.1

Siwu

<u>2Q FY2014</u>				<u>2Q FY2013</u>			
	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg		Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	10.8	87	124.1	Premium series	33.8	268	126.1
Regular series	57.8	2,933	19.7	Regular series	167.6	7,852	21.3
Total	68.6	3,020	22.7	Total	201.4	8,120	24.8

Revenue for 2QFY2014 decreased significantly by RMB 335.5 million or 45.4% to RMB 402.8 million. The decrease was due mainly to decrease in revenue from both Luoyang Dukang and Siwu operations, as a result of China's current austerity measures on luxury gifting and spending.

Gross profit and margin

The Group's gross profit decreased significantly by RMB 150.1 million or 51.4% to RMB 141.9 million.

Gross profit margin ("GPM") decreased by 4.4 percentage points from 39.6% to 35.2% due primarily to a decrease in the overall GPM for 「Dukang」 products.

i. Luoyang Dukang

Gross profit for premium and regular series decreased from RMB 125.7 million and RMB 105.2 million to RMB 42.2 million and RMB 79.5 million respectively. GPM for premium series increased slightly from 55.4% to 55.5%, whereas GPM for regular series decreased from 33.9% to 30.8%. Overall gross profit margin for 「Dukang」 products decreased from 43.0% to 36.4%. The decrease in gross profit margin was

due mainly to the change in product mix during 2QFY2014.

ii. Siwu

Gross profit for premium series decreased from RMB 20.2 million to RMB 5.3 million and gross profit for regular series decreased from RMB 40.9 million to RMB 15.0 million. GPM for premium series decreased from 59.8% to 48.8% while GPM for regular series increased from 24.4% to 26.0%. Overall gross profit margin for 「Siwu」 brand products decreased from 30.3% to 29.6%. The decrease in GPM was due mainly to the change in product mix.

Other income

Other income decreased from RMB 1.8 million to RMB 1.5 million due mainly to the decrease in proceeds from the sale of distilled grain mixture, which is a by-product resulting from baijiu production process, as animal feed.

Selling and distribution expenses

Selling and distribution expenses increased by 47.3% or RMB 30.5 million to RMB 95.0 million. This was due mainly to:

- TV commercial telecast on CCTV-1, CCTV-10 and TV channels in Henan Province, which increased by RMB 24.5 million ; and
- Bus and rooftop advertising in major Henan Province cities, which increased by RMB 8.0 million.

Advertising and promotional expenses increased during the peak season of the year. Additionally, the Group intensified advertising and promotional activities to mitigate impacts from the Chinese government's campaign against extravagance and competition from other well-known baijiu brands in the mid-end market.

Administrative expenses

Administrative expenses decreased by RMB 6.4 million to RMB 34.3 million as a result of the Group's cost-saving efforts during this challenging time.

Finance costs

Finance costs increased by RMB 2.0 million due mainly to the increase in average balance of bank loans during the period compared to 2QFY2013.

Share of profit of an associate

Share of profit of an associate decreased as a result of decrease in license fee income of the Group's associate arising from the decreased in sale of the products under the 「Dukang」 brand.

Income tax expense

The income tax expense decreased in line with the drop in profit from operations.

Review of Group's Financial Position**31 December 2013 VS 30 June 2013**Trade receivables

Trade receivables decreased by RMB 8.2 million to RMB 25.3 million due mainly to a decrease in the sale of Siwu products during the 2QFY2014 compared to 2QFY2013.

Inventories

Inventories increased by RMB 84.4 million to RMB 427.4 million due mainly to an increase in the storage of grain alcohol in order to maintain a steady and consistent supply of grain alcohol that is of good quality for ageing and production use.

Trade payables

Trade payables decreased by RMB 68.7 million due mainly to a significantly lower amount of packaging materials purchased in 2QFY2014 compared to 4QFY2013 in line with the decrease in sales volume.

Accrued liabilities and other payables

Accrued liabilities and other payables decreased by RMB 36.7 million due mainly to the decrease in value-added tax payable, consumption tax payable and other taxes and levies resulting from the decrease in sales in 2QFY2014 compared to 4QFY2013.

Bank loans, secured

Bank loans increased from RMB 84.0 million to RMB 186.0 million due mainly to the need for additional funding for working capital and expansion of the Group.

Cash and cash equivalents

Cash and cash equivalents decreased by RMB 92.9 million from RMB 757.6 million as at 30 June 2013 to RMB 664.7 million as at 31 December 2013. This was due mainly to net cash of RMB 172.0 million used in operating activities, net cash of RMB 19.2 million used in investing activities and net cash of RMB 98.2 million generated from financing activities in half year ended 31 December 2013.

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

Although there was no deviation from the information disclosed in Paragraph 10 of the previous results announcement for 2QFY2013, the Company had released an announcement (announcement no. 00058) relating to a profit guidance to the Singapore Exchange Securities Trading Limited on 5 February 2014 in view of its significantly lower overall revenue and earnings in 2QFY2014 compared to 2QFY2013.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The baijiu industry in China will continue to experience slower growth as the Chinese government continues to crackdown on lavish spending during official banquets and receptions. Moreover, as first-tier baijiu producers move into low-to-mid end market through the launch of lower-priced products and merger and acquisition activities, smaller baijiu producers will be further squeezed as the market becomes dominated by fewer, but more influential sellers.

In difficult times as such, the Group plans to gain more market share through advertisement and promotional activities to promote the more affordably-priced baijiu products. Concurrently, the Group will exercise prudence in the expansion of its production capacity so that it will have sufficient aged grain alcohol to satisfy market demand when the industry turns around.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

Not applicable.

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

Not applicable.

15. A breakdown of sales

Not applicable.

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

Not applicable.

17. Use of proceeds from issuance of Taiwan Depository Receipts

As stated in the Taiwan Depository Receipts (TDR) Prospectus, the intended purpose and progress of use of proceeds are as follows:

Intended usages	Proceeds RMB'000	Amount utilized RMB'000	Balance RMB'000
Expansion of production capacity	175,764	174,200	1,564
Purchase of land use rights	18,048	17,390	658
Repayment of bank loans	65,000	65,000	-
Establishment of Taiwan office	9,118	5,894	3,224
	<u>267,930</u>	<u>262,484</u>	<u>5,446</u>

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

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

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

**ZHOU TAO
CHAIRMAN
14 FEBRUARY 2014**

**CONFIRMATION BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING
MANUAL OF SGX-ST**

On behalf of the Board of Directors, we, Zhou Tao and Zhang Dingjun, confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Dukang Distillers Holdings Limited, which may render the financial statements for the second quarter ended 31 December 2013 to be false or misleading in any material aspect.

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

**Zhou Tao
Director**

**Zhang Dingjun
Director**

14 February 2014