

DUKANG DISTILLERS HOLDINGS LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 41457)

PROFIT GUIDANCE FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The Board of Directors (the “Board”) of Dukang Distillers Holdings Ltd. (the “Company”, and together with its subsidiaries, the “Group”) wishes to announce that the Group expects its overall revenue and earnings to be significantly lower for the second quarter ended 31 December 2017 (“**2QFY2018**”) compared to the three months ended 31 December 2016 (“**2QFY2017**”).

The significant decrease was mainly due to the following:-

- (i) As announced on 23 November 2017, to step up enforcement of environmental laws and regulations, Ruyang Environmental Protection Bureau had issued targeted orders to various industries, including the Group, to restrict production and cut emissions of industrial pollutants in accordance with the requirements of government departments. Accordingly, the Group’s baijiu production and operations were significantly affected for 2QFY2018.
- (ii) As the severe pollution and smog caused a significant decline in the purchase of baijiu products by the distributors in FY2017, the Group launched a sales promotion in the form of giving Dukang baijiu products from its existing inventory to distributors in FY2017 and 1QFY2018 in order to retain market share. Due to this sales promotion, there was a decline in sales as distributors were unable to digest their increased inventory in 2QFY2018.
- (iii) Intensified liquor market competition in the Henan province due to the entry of new products into the Henan market and the downward adjustment of first-tier high-end liquor prices further decreased the Group’s market share in Zhengzhou city and Luoyang city of Henan Province, the People’s Republic of China.
- (iv) There was a negative impact on the baijiu market due to a change in consumers’ drinking trend and habits to red wine and beer and a large influx of imported beers and red wine in the domestic market.

This profit guidance is based on a preliminary review of the unaudited financial results of the Group. Further details of the Group’s performance will be released when the Company announces its unaudited financial results for 2QFY2018, on or before 14 February 2018.

In the meantime, the Board wishes to advise shareholders of the Company and investors to exercise caution when dealing in the shares of the Company.

By Order of the Board

Zhou Tao
CEO and Executive Chairman
5 February 2018