FOR IMMEDIATE RELEASE

Dukang Distillers' FY2017 sales declines further due to multiple challenges facing the baijiu industry

- **Sales and gross profit dropped as production was affected by severe air pollution, intensified competition from other baijiu brands, wine and beer**
- **Gross profit margin decreased 8.7 percentage points due to change in product mix and sales promotion**
- **Group to consolidate resources to defend Henan market**

Financial Highlights

(RMB'Mil)	FY2017	FY2016	% Change
Sales	464.5	865.0	(46.3)
Gross Profit	121.1	301.0	(59.8)
Gross Profit Margin (%)	*26.1%*	*34.8%*	*(8.7pp)*
(Loss) / Profit Attributable to Shareholders	(112.4)	(10.7)	N.M.
(Loss) / Earnings Per Share* (RMB)	(1.41)	(0.13)	N.M.

pp: percentage points

N.M.: Not meaningful

* Based on the weighted average number of 79,828,927 ordinary shares for FY2016 and FY2017

Singapore & Taiwan, 29 August 2017 – SGX Mainboard-listed Dukang Distillers Holdings Limited ("Dukang Distillers" or "杜康控股有限公司", and together with its subsidiaries, the "Group"), a leading producer of *baijiu* ("白酒") in Henan, China, announced that its overall sales for the 12 months ended 30 June 2017 ("FY2017") has decreased 46.3% from RMB865.0 million a year ago to RMB464.5 million.

The Group's turnover for FY2017 was down year-on-year ("yoy") as its baijiu production was severely affected due to the implementation of emission reduction control measures. As a result, the Group could not fulfill the sales demand from the distributors and resulted in high customer attrition in the second half of FY2017.

The Group's average selling prices ("ASP") and sales volume of *Luoyang Dukang*'s premium series and regular series fell across the board for FY2017. In tandem with the decline in revenue, the Group's gross profit decreased 59.8% yoy to RMB121.1 million while gross profit margin declined 8.7 percentage points due to a change in product mix. The launch of sales promotion in the form of giving finished goods to distributors who placed orders also contributed to the lower gross profit margin during the year.

During the period under review, the Group's selling and distribution expenses decreased 60.2% yoy to RMB86.1 million mainly due to lower advertising and promotional ("A&P") expenses. The Group has cut back on its A&P expenses for the time being while it reassesses its advertising and promotional strategy.

The Group incurred RMB23.0 million of other expenses for FY2017 due to compensation to suppliers, production overheads during the suspension of production and loss on re-measurement of assets ceased to be classified as held for sale. In addition, the Group has performed a review on the recoverable amount of the non-current assets under the baijiu business segment in view of the weak demand and recognised an impairment loss of RMB31.0 million for FY2017.

Outlook

Mr Zhou Tao, Dukang's Chairman and Chief Executive Officer, commented, **"The baijiu industry has entered into a vicious competition era. While we are grappling with the rising competition from the first-tier baijiu brand, the disruption in production due to the implementation of emission reduction control measures has further aggravated the situation. In addition, the Group is also facing intensified competition from second-tier baijiu brands from other provincials who are aggressively taking up market share in Henan Province. On the other hand, foreign beer and wine consumption is increasing significantly in China as consumer preferences have gradually moved away from the traditional baijiu to wine and beer."**

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About Dukang Distillers Holdings Limited

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.

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

Financial Year End: End June FY2017: July 2016 – June 2017 FY2016: July 2015 – June 2016