

Dukang Distillers Holdings Limited

(Incorporated in Bermuda)

SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

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 2016 Unaudited RMB'000	31 Dec 2015 Unaudited RMB'000		31 Dec 2016 Unaudited RMB'000	31 Dec 2015 Unaudited RMB'000	
Revenue	190,267	258,737	(26.5)	360,735	422,701	(14.7)
Cost of sales	(130,470)	(167,408)	(22.1)	(247,569)	(278,158)	(11.0)
Gross profit	59,797	91,329	(34.5)	113,166	144,543	(21.7)
Other income	598	727	(17.7)	1,191	1,251	(4.8)
Selling and distribution expenses	(42,193)	(64,594)	(34.7)	(72,088)	(93,706)	(23.1)
Administrative expenses	(22,592)	(26,367)	(14.3)	(45,562)	(50,198)	(9.2)
Operating (loss)/profit	(4,390)	1,095	(500.9)	(3,293)	1,890	(274.2)
Finance costs	(937)	(2,121)	(55.8)	(3,107)	(4,569)	(32.0)
Share of profit of an associate	1,246	1,687	(26.1)	1,774	2,196	(19.2)
(Loss)/profit before income tax	(4,081)	661	(717.4)	(4,626)	(483)	857.8
Income tax (expense)/credit	(1,230)	357	(444.5)	(4,306)	715	(702.2)
(Loss)/profit for the period, attributable to the owners of the Company	(5,311)	1,018	(621.7)	(8,932)	232	(3,950.0)
Other comprehensive income for the period						
Item that may be reclassified subsequently to profit or loss:						
Exchange (loss)/gain on translation of financial statements of foreign operations	(211)	(7)	2,914.3	15	(15)	(200.0)
Total comprehensive income for the period, attributable to the owners of the Company	(5,522)	1,011	(646.2)	(8,917)	217	(4,209.2)

Notes:

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

	Group			Group		
	Three months ended		Increase/ (Decrease)	Half year ended		Increase/ (Decrease)
	31 Dec 2016 Unaudited RMB'000	31 Dec 2015 Unaudited RMB'000		31 Dec 2016 Unaudited RMB'000	31 Dec 2015 Unaudited RMB'000	
			%			%
Interest income	388	477	(18.7)	857	857	-
Interest expenses	(937)	(2,121)	(55.8)	(3,107)	(4,569)	(32.0)
Depreciation of property, plant and equipment	(5,610)	(6,375)	(12.0)	(11,030)	(12,750)	(13.5)
Amortisation of prepaid land lease payments	(710)	(696)	2.0	(1,413)	(1,392)	1.5

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	Audited	Unaudited	Audited
	As at	As at	As at	As at
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	288,534	288,534
Interest in an associate	110,746	123,672	-	-
Property, plant and equipment	386,947	374,408	-	-
Prepaid land lease payments	143,571	115,961	-	-
Intangible assets	1,280	1,280	-	-
	642,544	615,321	288,534	288,534
Current assets				
Inventories	759,969	644,082	-	-
Amounts due from subsidiaries	-	-	566,833	546,949
Prepayments, deposits and other receivables	23,266	23,656	-	-
Cash and cash equivalents	449,864	595,627	21	19
	1,233,099	1,263,365	566,854	546,968
Non-current assets held for sale	-	52,592	-	-
	1,233,099	1,315,957	566,854	546,968
Current liabilities				
Trade payables	212,636	116,727	-	-
Amount due to an associate	5,911	29,502	-	-
Accrued liabilities and other payables	115,408	210,553	4,121	4,416
Bank and other loans, secured	113,000	135,000	-	-
Provision for income tax	1,871	3,048	-	-
	448,826	494,830	4,121	4,416
Net current assets	784,273	821,127	562,733	542,552
Total assets less current liabilities	1,426,817	1,436,448	851,267	831,086
Non-current liabilities				
Deferred tax liabilities	11,447	12,161	-	-
	11,447	12,161	-	-
Net assets	1,415,370	1,424,287	851,267	831,086
EQUITY				
Equity attributable to owners of the Company				
Share capital	279,499	279,499	279,499	279,499
Reserves	1,135,871	1,144,788	571,768	551,587
Total equity	1,415,370	1,424,287	851,267	831,086

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 2016	As at 30 June 2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
113,000	-	135,000	-

Amount repayable after one year:

As at 31 December 2016	As at 30 June 2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral:

As at 31 December 2016, the Group's bank and other loans amounting to RMB 113.0 million were secured by charges over 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	Three months ended	Half year ended	Half year ended
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before income tax	(4,081)	661	(4,626)	(483)
Adjustments for:				
Interest income on financial assets stated at amortised cost	(388)	(477)	(857)	(857)
Interest expenses	937	2,121	3,107	4,569
Depreciation	5,610	6,375	11,030	12,750
Amortisation of prepaid land lease payments	710	696	1,413	1,392
Share of profit of an associate	(1,246)	(1,688)	(1,774)	(2,196)
Operating profit before working capital changes	1,542	7,688	8,293	15,175
(Increase)/decrease in inventories	(137,086)	25,392	(115,887)	44,323
(Decrease)/increase in prepayments, deposits and other receivables	(430)	13,242	390	52,328
Increase/(decrease) in trade payables	164,961	3,648	95,909	(1,289)
(Decrease)/increase in accrued liabilities and other payables	(104,889)	12,616	(95,145)	50,229
(Decrease)/increase in amount due to an associate	(22,441)	7,027	(23,591)	6,094
Cash (used in)/generated from operations	(98,343)	69,613	(130,031)	166,860
Income taxes paid	(3,150)	(1,719)	(6,197)	(2,743)
Net cash (used in)/generated from operating activities	(101,493)	67,894	(136,228)	164,117
Cash flows from investing activities				
Purchases of property, plant and equipment	-	(895)	-	(2,312)
Dividend from an associate	14,700	-	14,700	-
Interest received	388	477	857	857
Net cash generated from/(used in) investing activities	15,088	(418)	15,557	(1,455)
Cash flows from financing activities				
Proceeds from bank loans	113,000	20,000	113,000	20,000
Repayment of bank loans	(135,000)	(19,750)	(135,000)	(19,750)
Interest paid	(937)	(2,121)	(3,107)	(4,569)
Net cash used in financing activities	(22,937)	(1,871)	(25,107)	(4,319)
Net (decrease)/increase in cash and cash equivalents	(109,342)	65,605	(145,778)	158,343
Cash and cash equivalents at beginning of period	559,417	495,739	595,627	403,009
Effect of foreign exchange rate changes	(211)	(7)	15	(15)
Cash and cash equivalents at end of period	449,864	561,337	449,864	561,337
Analysis of balances of cash and cash equivalents				
Cash at banks and in hand	449,864	561,337	449,864	561,337

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 2015	279,499	656,811	(150,101)	152,773	3,826	493,652	1,436,460
Profit for the period	-	-	-	-	-	1,018	1,018
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(7)	-	(7)
Total comprehensive income for the period	-	-	-	-	(7)	1,018	1,011
Balance as at 31 December 2015	279,499	656,811	(150,101)	152,773	3,819	494,670	1,437,471
Balance as at 1 July 2015	279,499	656,811	(150,101)	152,773	3,834	494,438	1,437,254
Profit for the period	-	-	-	-	-	232	232
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	(15)	232	217
Balance as at 31 December 2015	279,499	656,811	(150,101)	152,773	3,819	494,670	1,437,471
Balance as at 1 October 2016	279,499	656,811	(150,101)	162,848	1,755	470,080	1,420,892
Loss for the period	-	-	-	-	-	(5,311)	(5,311)
Other comprehensive income							
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(211)	-	(211)
Total comprehensive income for the period	-	-	-	-	(211)	(5,311)	(5,522)
Balance as at 31 December 2016	279,499	656,811	(150,101)	162,848	1,544	464,769	1,415,370
Balance as at 1 July 2016	279,499	656,811	(150,101)	162,848	1,529	473,701	1,424,287
Loss for the period	-	-	-	-	-	(8,932)	(8,932)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	15	-	15
Total comprehensive income for the period	-	-	-	-	15	(8,932)	(8,917)
Balance as at 31 December 2016	279,499	656,811	(150,101)	162,848	1,544	464,769	1,415,370

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 2015	279,499	656,811	120,523	(58,908)	(208,003)	789,922
Loss for the period	-	-	-	-	(3,202)	(3,202)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(8)	-	(8)
Total comprehensive income for the period	-	-	-	(8)	(3,202)	(3,210)
Balance as at 31 December 2015	279,499	656,811	120,523	(58,916)	(211,205)	786,712
Balance as at 1 July 2015	279,499	656,811	120,523	(58,904)	(206,723)	791,206
Loss for the period	-	-	-	-	(4,482)	(4,482)
Other comprehensive income						
Exchange loss on translation of financial statements	-	-	-	(12)	-	(12)
Total comprehensive income for the period	-	-	-	(12)	(4,482)	(4,494)
Balance as at 31 December 2015	279,499	656,811	120,523	(58,916)	(211,205)	786,712
Balance as at 1 October 2016	279,499	656,811	120,523	(11,283)	(214,396)	831,154
Loss for the period	-	-	-	-	(2,059)	(2,059)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	22,172	-	22,172
Total comprehensive income for the period	-	-	-	22,172	(2,059)	20,113
Balance as at 31 December 2016	279,499	656,811	120,523	10,889	(216,455)	851,267
Balance as at 1 July 2016	279,499	656,811	120,523	(13,181)	(212,566)	831,086
Loss for the period	-	-	-	-	(3,889)	(3,889)
Other comprehensive income						
Exchange gain on translation of financial statements	-	-	-	24,070	-	24,070
Total comprehensive income for the period	-	-	-	24,070	(3,889)	20,181
Balance as at 31 December 2016	279,499	656,811	120,523	10,889	(216,455)	851,267

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 2016.

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 2016	30 Jun 2016
Total number of issued shares (excluding treasury shares)	79,828,927	79,828,927

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 2016, 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 2016. The adoption of these revised IFRSs for the current reporting period ended 31 December 2016 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 2016	31 Dec 2015
	Unaudited	Unaudited
	RMB	RMB
Basic	(0.07)	0.01
Diluted	N/A	N/A

Basic loss per share for the period ended 31 December 2016 ("2QFY2017") was calculated based on the Group's loss for the period of approximately RMB 5,311,000 (Period ended 31 December 2015 ("2QFY2016"): profit of approximately RMB 1,018,000) divided by the weighted average number of 79,828,927 ordinary shares of HK\$4.0 each ("Shares") (2QFY2016: 79,828,927 Shares) in issue during 2QFY2017.

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 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	17.73	17.84	10.66	10.41
Number of ordinary shares	79,828,927	79,828,927	79,828,927	79,828,927

Net asset value per ordinary share of the Group as at 31 December 2016 was calculated based on the Group's net assets of approximately RMB 1,415,370,000 as at

31 December 2016 (30 June 2016: approximately RMB 1,424,287,000) divided by 79,828,927 Shares (30 June 2016: 79,828,927 Shares).

Net asset value per ordinary share of the Company as at 31 December 2016 was calculated based on the net assets of approximately RMB 851,267,000 as at 31 December 2016 (30 June 2016: approximately RMB 831,086,000) divided by 79,828,927 Shares (30 June 2016: 79,828,927 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**2QFY2017 VS 2QFY2016****Revenue**Luoyang Dukang

<u>2Q FY2017</u>				<u>2Q FY2016</u>			
	Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg		Revenue RMB'million	Volume Tonnes	Average selling price RMB/Kg
Premium series	21.3	147	144.9	Premium series	58.8	429	137.1
Regular series	169.0	5,488	30.8	Regular series	199.9	5,810	34.4
Total	190.3	5,635	33.8	Total	258.7	6,239	41.5

Group revenue for 2QFY2017 decreased significantly by RMB 68.4 million or 26.5% to RMB 190.3 million, which was mainly due to:

- (i) Austerity measures and restrictions in the PRC which further suppressed the sales of high-end alcohol market;
- (ii) The 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;
- (iii) the severe air pollution and smog, stricter traffic controls and poor traffic conditions had impacted the logistics of the Group's sales agents and thereby resulting in a decrease in the Group's sales; and
- (iv) intensified liquor market competition in the Henan province, new products entering into the Henan market and downward adjustment of first-tier high-end liquor prices further decreased the Group's market share in Zhengzhou and Luoyang.

Gross profit and margin

Gross profit for premium and regular series decreased from RMB 28.3 million and RMB 63.0 million to RMB 11.4 million and RMB 48.4 million respectively. GPM for premium series increased from 48.2% to 53.5%, while GPM for regular series decreased from 31.5% to 28.6%. Overall gross profit margin for 「Dukang」 products decreased from 35.3% to 31.4%. The decrease in gross profit margin was mainly due to the change in product mix during 2QFY2017.

Other income

Other income decreased from RMB 0.7 million to RMB 0.6 million mainly due to the decrease in proceeds from the sale of distilled grain mixture as animal feed, which is a by-product resulting from baijiu production process.

Selling and distribution expenses

Selling and distribution expenses decreased by 34.7% or RMB 22.4 million to RMB 42.2 million, mainly due to decrease in bus and rooftop advertising in major Henan Province cities by RMB 21.3 million.

Finance costs

Finance costs decreased by RMB 1.2 million mainly due to a decrease in the average balance of bank loans during the period compared to 2QFY2016.

Share of profit of an associate

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

Income tax (expense)/credit

The provision for PRC enterprise income tax is calculated based on the statutory income tax rate as determined in accordance with the relevant PRC income tax rules and regulations for the financial periods presented. The applicable rate for all PRC subsidiaries was 25% for 2QFY2017.

The income tax credit for 2QFY2016 represents the effect of reversal of deferred tax liabilities for RMB 0.4m.

Loss for the period

Taking into account of the above mentioned factors, the loss attributable to the owners of the Company amounted to RMB 5.3 million for 2QFY2017 (2QFY2016: profit of RMB 1.0 million).

Review of Group's Financial Position**31 December 2016 VS 30 June 2016****Interest in an associate**

Interest in an associate decreased by RMB12.9 million due to the dividend received from the associate amounting to RMB14.7 million, which was offset by the share of its result for RMB 1.8 million during the first half of FY2017.

Property, plant and equipment, Prepaid land lease payments, Non-current assets held for sale and Accrued liabilities and other payables

Pursuant to the Relocation Exercise as mentioned in the announcement released on 13 February 2015, the existing production facilities in Yichuan will be relocated to a new site. The land, buildings and some plant and machinery (the "Residual Assets") which are incapable of being relocated will be sold at a consideration of RMB 80 million (the "Purchase Consideration").

Subsequently, as announced on 9 December 2016, the sale of the Residual Assets was terminated and therefore the balance under Non-current assets held for sale, which represents the net book value of the Residual Assets was reclassified to property, plant and equipment as well as prepaid land lease payments amounting to RMB 23.6 million and RMB 29.0 million respectively during the period. In addition, accrued liabilities and other payables decreased by RMB 95.1 million, mainly due to the refund of the Purchase Consideration during 2QFY2017.

Inventories

Inventories increased by RMB 115.9 million, mainly due to a significantly larger amount of raw materials and packaging materials purchased in 2QFY2017 to mitigate the potential risk of shortage in the supply of the materials affected by the severe air pollution and smog in Henan in the next few months.

Trade payables

Trade payables increased by RMB 95.9 million which was in line with the increase in the level of inventories.

Bank and other loans, secured

Bank and other loans decreased by RMB 22.0 million to RMB 113.0 million mainly due to repayment of the bank borrowings during the period.

Cash and cash equivalents

Cash and cash equivalents decreased by RMB 146.1 million from RMB 595.6 million as at 30 June 2016 to RMB 449.9 million as at 31 December 2016. This was mainly due to net cash of RMB 136.2 million used in operating activities, net cash of RMB 15.6 million generated from investing activities and net cash of RMB 25.1 million used in financing activities during first half of FY2017.

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, the Company had released a profit guidance announcement to the Singapore Exchange Securities Trading Limited on 20 January 2017 in view of its significantly lower overall revenue and earnings in 2QFY2017 compared to 2QFY2016.

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.

Severe air pollution and smog has reportedly been affecting traffic conditions, daily operations and productions by enterprises, particularly in central and northern China, in the recent years. The air quality in China has since hit its worst during the winter of 2016. Owing to the continuing severe air pollution and poor weather conditions, and stricter inspections and enforcements imposed by the Chinese Government to fight air pollution violations, the Group also expects its baijiu production and operations to be significantly affected for its third quarter ending 31 March 2017 ("3QFY2017"), and thereby resulting in a negative impact in its 3QFY2017 revenue. Nonetheless, the Group's baijiu production is expected to gradually recover from mid March 2017 as the air quality improves.

Baijiu producers continue to contend with a market decline brought on by an economic slowdown and consumers' palate shifting to wine and beer. Apart from the austerity measures and restrictions in the PRC which further suppressed the sales of high-end baijiu, the Group is also facing intensified competition in Henan province as new products entering into the Henan market and downward adjustment of first-tier high-end liquor prices further decreased the Group's market share.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

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

No dividend has been declared.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

Not applicable.

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

Not applicable.

15. A breakdown of sales

Not applicable.

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

Not applicable.

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

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

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

**ZHOU TAO
CHAIRMAN
13 FEBRUARY 2017**

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

On behalf of the Board of Directors, we, Zhou Tao and Huo Lei, confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Dukang Distillers Holdings Limited, which may render the financial statements for the second quarter ended 31 December 2016 to be false or misleading in any material aspect.

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

**Zhou Tao
Director**

**Huo Lei
Director**

13 FEBRUARY 2017