

**DUKANG DISTILLERS HOLDINGS LIMITED**  
(Incorporated in Bermuda)  
(Company Registration Number: 41457)

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**SEVERE AIR POLLUTION IN THE PEOPLE'S REPUBLIC OF CHINA AND PROFIT GUIDANCE**

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The Board of Directors (the "Board") of Dukang Distillers Holdings Ltd. (the "Company", and together with its subsidiaries, the "Group") wishes to announce that Ruyang Environmental Protection Bureau had on 21 December 2016 posted a notice issued by Ruyang County People's Government with regard to the emergency and contingency plan against severe air pollution in Ruyang 《汝阳县人民政府办公室关于印发汝阳县重污染天气应急预案的通知》.

Severe air pollution and smog has reportedly been affecting traffic conditions, daily operations and productions by enterprises in the People's Republic of China ("PRC"), particularly in central and northern PRC, in the recent years. The air quality in the PRC has since hit its worst in winter 2016.

The Group has been assisting the Chinese Government to manage the air pollution and concurrently implemented some measures to reduce and control air pollution.

Although such measures did not have any material impact on the Group's baijiu production for its second quarter ended 31 December 2016, the Group expects its overall revenue and earnings to be significantly lower for the three months ended 31 December 2016 ("**2Q2017**") compared to the three months ended 31 December 2015 ("**2Q2016**"), mainly due to:-

- (i) Austerity measures and restrictions in the PRC which further compressed 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) Due to 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 an increase in its inventories; 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 Luoyang, Zhengzhou.

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. Its baijiu production is expected to gradually recover from mid March 2017 due to the consumption of more electricity from coal-fired power plants during winter in the northern PRC.

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 2QFY2017, on or before 14 February 2017.

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  
20 January 2017