

DUKANG DISTILLERS HOLDINGS LIMITED

(Incorporated in Bermuda)
(Company Registration No. 41457)

PROPOSED CONSOLIDATION OF EVERY TEN (10) ORDINARY SHARES IN THE AUTHORISED AND ISSUED CAPITAL OF THE COMPANY INTO ONE (1) CONSOLIDATED SHARE

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Dukang Distillers Holdings Limited (the “**Company**”) wishes to announce that the Company proposes to undertake a share consolidation (the “**Proposed Share Consolidation**”) of every ten (10) ordinary shares with a par value of HK\$0.40 each in the authorised and issued capital of the Company (the “**Shares**”) into one (1) consolidated share with a par value of HK\$4.00 each in the capital of the Company (the “**Consolidated Share**”), fractional entitlements to be disregarded.

2. RATIONALE FOR THE PROPOSED SHARE CONSOLIDATION

The Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and its shareholders (“**Shareholders**”) for the reasons set out below.

- (a) **Compliance with the Minimum Trading Price requirement.** The Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) have introduced a minimum trading price of S\$0.20 (the “**MTP**”) for Mainboard-listed issuers with effect from 2 March 2015 as a continuing listing requirement to address risks associated with low-priced securities and to improve overall market quality. Issuers will be first assessed for compliance with the MTP requirement 12 months from 2 March 2015 (i.e. 1 March 2016). Issuers that fail to fulfil the MTP requirement at the first review date on 1 March 2016 or any of the subsequent quarterly reviews will be placed on the SGX-ST watch-list. The assessment of whether an issuer has met the MTP of S\$0.20 will be based on the issuer’s volume weighted average price (“**VWAP**”) of its shares for the six (6) months preceding the date of review. Issuers placed on the watch-list on or after 1 March 2016 will have a 36-month period to exit from the watch-list. Issuers who fail to exit from the watch-list will be subject to delisting in accordance with the listing rules.

For the past six (6) calendar months prior to the date of this announcement, the Shares have been trading in a range of between S\$0.09 and S\$0.189, which is below the MTP. The highest and lowest closing market prices for each such month and the transacted volume of the Shares traded on the SGX-ST for each such month are as follows:

	Highest Price (S\$)	Lowest Price (S\$)	Volume of traded Shares (’000)
March 2015	0.123	0.115	4,312,400
April 2015	0.145	0.117	4,792,000
May 2015	0.189	0.129	14,866,700
June 2015	0.172	0.15	6,463,200

July 2015	0.132	0.156	7,749,300
August 2015	0.128	0.09	7,312,500

Source: SGX-ST

For illustrative purposes only, the VWAP of the Company's Shares for the six (6) months prior to the date of this announcement is S\$0.144. This is below the MTP.

As such, the Company is seeking to undertake the Proposed Share Consolidation with the purpose of raising the minimum theoretical Share price of the Company so as to facilitate the compliance with the MTP requirement by the Company.

On the assumption that the Proposed Share Consolidation had been in place for the six (6) months prior to the date of this announcement, the theoretical adjusted 6-month VWAP based on the Consolidated Shares will be S\$1.44.

- (b) **Reduction of magnitude of volatility of the Share price.** As share trading may involve certain minimum fixed expenses (such as minimum brokerage fees), low traded share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of Shares. In addition, the low traded Share price may encourage speculation in the Shares, which may result in excessive Share price volatility. The Directors therefore believe that the Proposed Share Consolidation may serve to reduce the fluctuation in magnitude of the Company's market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares.
- (c) **Increase in the market interest and attractiveness of the Company.** The Proposed Share Consolidation will rationalise the share capital of the Company by reducing the number of authorised and issued Shares. Following the Proposed Share Consolidation, the Board expects that, all other things being equal, the theoretical trading price and net tangible assets (the "NTA") of each Consolidated Share in issue would be higher than the trading price and NTA of each existing Share in issue, taking into account the decrease in the number of Shares in issue following the Proposed Share Consolidation. The Directors believe that, with the reduction in the number of Shares in issue and the resulting increase in the theoretical trading price of each Consolidated Share in issue, the Proposed Share Consolidation may increase the profile of the Company amongst the institutional investors and the coverage of the Company amongst research houses and fund managers which may, in turn, increase market interest and activity in the Consolidated Shares, and generally make the Consolidated Shares more attractive to investors.

Shareholders should note, however, that there can be no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

3. DETAILS OF THE PROPOSED SHARE CONSOLIDATION

- 3.1 Under the Proposed Share Consolidation, every ten (10) Shares in the authorised and issued capital of the Company will be consolidated into one (1) Consolidated Share. The Consolidated Shares in issue will rank *pari passu* in all respects with each other and will be traded in board lots of 100 Consolidated Shares.

- 3.2 Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the Shares as at a books closure date to be determined by the Directors (the “**Books Closure Date**”), will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be disregarded. All fractional entitlements arising from the implementation of the Proposed Share Consolidation will be dealt with in such manner and on such terms as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) aggregating and selling the same and retaining the net proceeds for the benefit of the Company; and (ii) purchasing and cancelling the same or holding the same as treasury shares. Shareholders should note that where fractions of Shares are dealt with by the Company in the manner set out above, they will not be entitled to any proceeds derived from any such dealing, or to any interest or share of revenue or other benefit arising therefrom.
- 3.3 As at the date of this announcement, the Company has an issued ordinary share capital of HK\$319,315,727 (approximately RMB371,239,000) comprising 798,289,318 Shares with a par value of HK\$0.40 each. Following the completion of the Proposed Share Consolidation and assuming no new Shares are issued by the Company, the Company will have an issued share capital of HK\$319,315,727 (approximately RMB371,239,000) divided into approximately 79,828,931.8 Consolidated Shares.
- 3.4 The Proposed Share Consolidation will have no impact on the amount of the authorised and issued capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the equity of the Company and its subsidiaries.
- 3.5 Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation. Shareholders who hold physical share certificates may wish to deposit the same with the Central Depository (Pte) Limited (“**CDP**”) and have their Shares credited to their securities accounts with CDP before the announcement of the Books Closure Date, as CDP will only accept for deposit new share certificates in respect of Consolidated Shares after the Books Closure Date.
- 3.6 Subject to Shareholders’ approval being obtained for the Proposed Share Consolidation at the special general meeting (“**SGM**”) to be convened by the Company, Shareholders’ holdings of the Consolidated Shares arising from the Proposed Share Consolidation will be ascertained on the Books Closure Date.
- 3.7 The Proposed Share Consolidation will not cause any changes to the percentage shareholding of each Shareholder in the Company, other than non-material changes due to rounding.

4. APPROVALS

The Proposed Share Consolidation is subject to, *inter alia*:

- (a) the approval of the SGX-ST for the Proposed Share Consolidation and for the dealing in, listing of and quotation for the Consolidated Shares on the SGX-ST; and
- (b) the approval of Shareholders by ordinary resolution at an SGM of the Company to be convened.

An application will be made to the SGX-ST for permission for dealing in, listing of and quotation of the Consolidated Shares on the Main Board of the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

5. EFFECT OF THE PROPOSED SHARE CONSOLIDATION ON THE COMPANY'S TAIWAN DEPOSITORY RECEIPTS ("TDRs")

As at the date of this announcement, the Company has in issue an amount of 129,768,000 TDRs with a conversion ratio of 1 Share for 1 TDR. Pursuant to the Proposed Share Consolidation, the conversion ratio of the TDRs will be adjusted to 0.1 Consolidated Shares for 1 TDR.

6. DESPATCH OF CIRCULAR

Subject to the receipt of the in-principle approval from the SGX-ST, a circular containing, *inter alia*, the notice of the SGM and further details of the Proposed Share Consolidation will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Share Consolidation, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

BY ORDER OF THE BOARD

Zhou Tao
Executive Chairman and CEO

4 September 2015