

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

TERMINATION OF SALE OF RESIDUAL ASSETS IN HENAN DUKANG DISTILLERS COMPANY LIMITED

The Board of Directors (the “**Board**”) of Dukang Distillers Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcements released to the Singapore Exchange Securities Trading Limited on 13 February 2015 and 27 November 2015 and wishes to provide an update to the sale of residual assets in a wholly-owned subsidiary, Henan Dukang Distillers Company Limited (河南杜康酒业股份有限公司) (“**HDD**”), as follows:-

1. As announced on 13 February 2015, following the Relocation Exercise undertaken by the Group, the existing production facilities in Yichuan (伊川县城) will be relocated to the new site. The land, building and some plant and machinery, which cannot be relocated will be sold off in order to realise their value (“**Residual Assets**”). Accordingly, HDD had on 13 February 2015 entered into a sale and purchase agreement (the “**S&P Agreement**”) with a third party, 河南雅豪商业管理有限公司 (“**HYH**”) for the sale of the Residual Assets (the “**Disposal**”) at the purchase consideration of RMB80,000,000 (the “**Purchase Consideration**”).
2. Consequently, as announced on 27 November 2015, HDD had fully received the Purchase Consideration from HYH and the Group had completed one-third of the relocation of its existing factory in Yichuan.

HYH had also agreed with the Group’s plan to temporarily slow down its relocation and signed a 1-year renewable agreement with HDD on 27 November 2015 to allow the Company to utilise the existing factory in Yichuan and production facilities which have not been relocated. Pursuant to the terms of the said agreement, HDD will pay HYH an amount of RMB4,000,000 per annum for the utilisation of the factory and production facilities.

Depending on market demand, the Group may utilise the product facilities which have yet to be relocated, for production and HDD may terminate the said agreement earlier or reduce the rentable areas.

3. In consideration of (i) the Group’s plan to temporarily slow down its relocation and (ii) in view of the Group’s production requirements, the Board considered that it will be in the Group’s best interests for HDD to terminate the S&P Agreement with HYH.

Accordingly, HDD had on 9 December 2016 entered into a termination agreement with HYH to terminate the S&P Agreement and purchase its Residual Assets from HYH at the same purchase consideration of RMB80,000,000, as mutually agreed with HYH (“**Termination Agreement**”).

DUKANG DISTILLERS HOLDINGS LIMITED

- Termination of Sale of Residual Assets
in Henan Dukang Distillers Company Limited

Page 2

To date, HDD has paid RMB4,000,000 to HYH for the utilisation of the factory and production facilities for the period from 27 November 2015 to 26 November 2016. Consequent to the Termination Agreement and as mutually agreed with HYH, no further payment is required to be paid to HYH for the utilisation of the factory and production facilities for the period from 27 November 2016 to 9 December 2016.

The Termination Agreement is not expected to have any significant material impact on the consolidated net tangible assets per share and/or the earnings per share of the Group for the current financial year.

None of the Directors, substantial shareholders or controlling shareholders of the Company have any interest, direct or indirect (other than through their shareholdings in the Company), in the above transaction.

By Order of the Board

Zhou Tao
CEO and Executive Chairman
9 December 2016