

FOR IMMEDIATE RELEASE

## Dukang Distillers reports revenue of RMB402.8 million and net profit of RMB10.0 million in 2Q2014

- Gross profit decreased to RMB141.9 million due to decline in average selling price and sales volume for *Luoyang Dukang* premium series
- Net profit declined due to increase in advertisement and promotional activities expenses
- Group to intensify advertising and promotional activities to maintain competitiveness while proactively manage internal spending

### Financial Highlights

(RMB'Mil)	2Q2014	2Q2013	% Change
Sales	402.8	738.3	(45.4)
Gross Profit	141.9	292.0	(51.4)
Gross Profit Margin (%)	35.2%	39.6%	(4.4pp)
Profit Attributable to Shareholders	10.0	144.0	(93.0)
Net Profit Margin (%)	2.5%	19.5%	(17.0pp)
Earnings Per Share* (RMB 'cent)	1.26	18.03	(93.0)

\* Based on the weighted average number of 798,289,318 ordinary shares in 2Q2013 and 2Q2014

**Singapore & Taiwan, 14 February 2014** –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* in Henan, China, registered a 45.4% year-on-year (“yoy”) decline in sales to RMB402.8 million and 93.0% yoy decrease in profit attributable to shareholders to RMB10.0 million for the three months ended 31 December 2013 (“2Q2014”).

The Group’s overall sales for 2Q2014 fell as a result of China’s current austerity measures on luxury gifting and spending. A steep drop is observed in sales volume from *Luoyang Dukang*’s premium series as its revenue decreases from RMB226.7 million to RMB76.1 million. Despite a slight increase in *Luoyang Dukang* regular series’ sales volume, *Luoyang Dukang*’s overall revenue was down by 37.8% yoy due to a 35.6% decline in its average selling price (“ASP”) from RMB55.1 per kilogram to RMB35.5 per kilogram. *Siwu*’s revenue declined 65.9% yoy to RMB68.6 million on the back of a 62.8% yoy drop in sales volume to 3,020 tonnes.

As demand for premium *baijiu* dwindles, many first tier *baijiu* brands sought to decrease their ASPs to maintain competitiveness<sup>1</sup> by developing more affordably-priced products. The price adjustment

<sup>1</sup> Ap, T., & Chen, G. (2013, 12 10). Curbs leave alcohol firms in low spirits. Retrieved 2 5, 2014, from South China Morning Post: <http://www.scmp.com/business/companies/article/1377316/curbs-leave-alcohol-firms-low-spirits>

mechanism eventually resulted in a ripple through the *baijiu* industry and compromises gross profit margins while market competition is intensified.

The Group's net profit declined due mainly to a 47.3% increase in selling and distribution expenses towards advertising and promotional activities. With the rising market competition at the mid-end segment, the Group foresees the need for intensifying advertising and promotional activities in order to raise *Dukang's* brand awareness.

Administration expenses for 2Q2014 decreased by 15.8% from RMB40.8 million to RMB34.3 million as a result of the Group's cost-saving efforts during this challenging time. Going forward, the Group intends to practice prudent financial management to manage its internal operational spending.

## Outlook

Mr. Zhou Tao, Dukang's Executive Chairman and Chief Executive Officer, comments on the overview of the *baijiu* sector performance and prospects, **"The austerity measures on extravagant spending by government officials continues to take a toll on the demand of premium *baijiu* in the Chinese market. We believe that such measures will not be lifted anytime soon.**

**During such difficult times, we intend to strengthen our presence in our home market via more aggressive advertisement and promotional activities in Henan Province. Overall advertisement and promotional strategy will focus on promoting more affordable premium and mid-end products. This is not the time to cut down on marketing budget if we want to stay afloat and gain more market share.**

**We believe that the demand for *baijiu* will remain resilient in the long run<sup>2</sup>. In view thereof, we will carry on with our grain alcohol capacity expansion so that we are in a position to tap market demand when the industry turns around."**

-End-

---

<sup>2</sup> AFP. (2014, 1 14). Chinese outdrink French in red wine. Retrieved 2 5, 2014, from Channel News Asia: <http://www.channelnewsasia.com/news/lifestyle/chinese-outdrink-french/973568.html>

## **About Dukang Distillers Holdings Limited**

Dukang Distillers Holdings Limited (previously Trump Dragon Distillers Holdings Limited) is a leading producer *baijiu* in Henan Province, the PRC. The Group carries a broad range of *baijiu* products that are sold and marketed under two distinct brands, 「*Dukang*」 (“杜康”) and 「*Siwu*」 (“四五”).

Named after the forefather of *baijiu* and supported by a history of over two thousand years, 「*Dukang*」 (“杜康”) is a well-established national brand with a rich cultural heritage that focuses on the mid to high-end *baijiu* market in the PRC.

With its extensive range of affordably priced products, the Group’s 「*Siwu*」 (“四五”) brand targets the mass to mid-end *baijiu* market and has an established consumer base in Henan Province.

The Group’s products are sold through distributors to hospitality establishments, supermarkets and specialty stores selling tobacco and alcohol products in the PRC. With the acquisition of *Luoyang Dukang* complete in May 2010, the Group has significantly increased its production capacity, and is primed to strengthen its market position and competitive edge in *baijiu* industry within Henan Province as well as across the PRC.

The Group has been listed on the SGX Mainboard since September 2008 and on the Taiwan Stock Exchange via Taiwan Depository Receipts since March 2011.

## **Issued for and on behalf of Dukang Distillers Holdings Limited**

### **Contact Information**

<b>Financial PR Pte Ltd.</b>  Charlotte Fu / Jasmine Leong  Investor Relations Consultants  Tel: 65-6438 2990 / Fax: 65-6438 0064  Email: <a href="mailto:staff@financialpr.com.sg">staff@financialpr.com.sg</a>	<b>Dukang Distillers Holdings Limited</b>  Ngo Yit Sung  Corporate & Investor Relations Manager  Taiwan Representative  Email: <a href="mailto:ysngo@china45wine.com">ysngo@china45wine.com</a>
--	---