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## Dukang Distillers' 2Q2017 sales decreases 26.5% yoy to RMB190.3 million

- Gross profit decreased 34.5% while gross profit margin declined 3.9 percentage points due to increased competition in Henan province
- Lower selling and distribution expenses and administrative expenses due to prudent A&P budgeting and cost-saving efforts
- The Group will tread on cautiously as market condition remains challenging due to multiple headwinds

### Financial Highlights

(RMB'Mil)	2Q2017	2Q2016	% Change
<b>Sales</b>	190.3	258.7	(26.5)
<b>Gross Profit</b>	59.8	91.3	(34.5)
<b>Gross Profit Margin (%)</b>	31.4%	35.3%	(3.9)pp
<b>(Loss) / Profit Attributable to Shareholders</b>	(5.3)	1.0	N.M.
<b>Net Profit Margin (%)</b>	-	0.4%	N.M.
<b>(Loss) / Earnings Per Share* (RMB)</b>	(0.07)	0.01	N.M.

pp: percentage points

N.M.: Not meaningful

\* Based on the weighted average number of 79,828,927 ordinary shares for 2Q2016 and 2Q2017

**Singapore & Taiwan, 13 February 2017** – 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* (“白酒”) in Henan, China, announced that its overall sales for the 3 months ended 31 December 2016 (“2Q2017”) has decreased 26.5% from RMB258.7 million a year ago to RMB190.3 million.

The decrease in the Group’s overall revenue year-on-year (“yoy”) is mainly due to a change in consumers’ drinking trend and habits to red wine and beer and the lingering impact of the anti-extravagance campaign since 2012. As a result, the Group’s market share in Henan province has shrunk due to the introduction of new alcoholic beverage products in the Henan market and downward adjustment of first-tier high-end baijiu prices. The situation during the quarter was further aggravated due to the severe air pollution and smog, stricter traffic controls and poor traffic conditions that had impacted the logistics of the Group’s sales agents.

Financial Year End: End June    2Q2017: October – December 2016    2Q2016: October – December 2015



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Dukang Distillers Holdings Limited

As the average selling prices and sales volume of *Luoyang Dukang's* premium series and regular series fell across the board for 2Q2017, the Group's gross profit decreased 34.5% yoy to RMB59.8 million while gross profit margin decreased 3.9 percentage points to 31.4%.

During the period under review, the Group's selling and distribution expenses decreased 34.7% yoy to RMB42.2 million while administrative expenses reduced by 14.3% yoy to RMB22.6 million. This was mainly due to lower advertising and promotional ("A&P") expenses and the Group's efforts to improve operational efficiency and reduce administrative costs.

## Outlook

Mr Zhou Tao, Dukang's Chairman and Chief Executive Officer, commented, **"The baijiu market remains challenging for second-tier baijiu producers like us as we are facing multiple headwinds, from the austerity measures and pricing pressure from the first-tier brands to changing consumers palates. It is critical for the Group to rationalise its expenditure and consolidate all available resources to defend its market position in Henan province."**

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### **About Dukang Distillers Holdings Limited**

As the first PRC baijiu enterprise listed overseas, the Company has its primary listing on the Mainboard of Singapore Exchange Securities Trading Limited since September 2008 and the listing of its Taiwan Depository Receipts on the Taiwan Stock Exchange since March 2011.

The Group's popular product series under 「Dukang」 brand include Jiuzu Dukang (“酒祖杜康”) Series, Guohua Dukang (“国花杜康”) Series, Zhonghua Dukang (“中华杜康”) Series and Lao Dukang (“老杜康”) Series. The Group's products are sold mainly to supermarkets, flagship stores, specialty stores and restaurants via distributors.

The Group currently has an annual grain alcohol production capacity of 4,684 tonnes from 2,428 fermentation pools for the 「Dukang」 brand.

With its distinctive taste and brewed using traditional methods, the 「Dukang」 brand has clinched national awards including China Intangible Cultural Heritage (2008), Henan Well-known Trademark (2008), China Well-known Trademark (2005), China Time-honoured Brand (2005), Top 10 Chinese Wine Brands (2001) and Star Enterprise of The National Wine Industry (1994).

In early 2013, the Group's 「Dukang」 brand was officially endorsed by the PRC government as one of the appointed baijiu to serve foreign dignitaries.