

FOR IMMEDIATE RELEASE

## Dukang Distillers' 1Q2015 revenue further slips 46.7% yoy to RMB207.4 million amid Chinese government's continuous austerity measures

- The Group registered net loss as overall gross profit margin plunged 19.8 percentage points yoy to 18.4%
- Selling and distribution expenses decreased 46.1% to RMB42.4 million as the Group reallocated Dukang brand's advertising and promotional budget to focus in Henan province
- The Group will further streamline distributors, adopt new sales channels and expand grain alcohol production capacity cautiously according to market conditions

### Financial Highlights

(RMB'Mil)	1Q2015	1Q2014	% Change
Sales	207.4	389.4	(46.7)
Gross Profit	38.1	148.9	(74.4)
Gross Profit Margin (%)	18.4%	38.2%	(19.8)pp
Loss Attributable to Shareholders	(29.4)	30.5	N.M.
Net Profit Margin (%)	-	7.8%	N.M.
Loss Per Share* (RMB 'cent)	(3.68)	3.81	N.M.

pp: percentage points

N.M.: Not meaningful

\* Based on the weighted average number of 798,289,318 ordinary shares in 1Q2014 and 1Q2015

**Singapore & Taiwan, 14 November 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* (“白酒”) in Henan, China, registered a 46.7% year-on-year (“yoy”) slip in sales to RMB207.4 million and reported a net loss attributable to shareholders of RMB29.4 million for the 3 months ended 30 September 2014 (“1Q2015”).

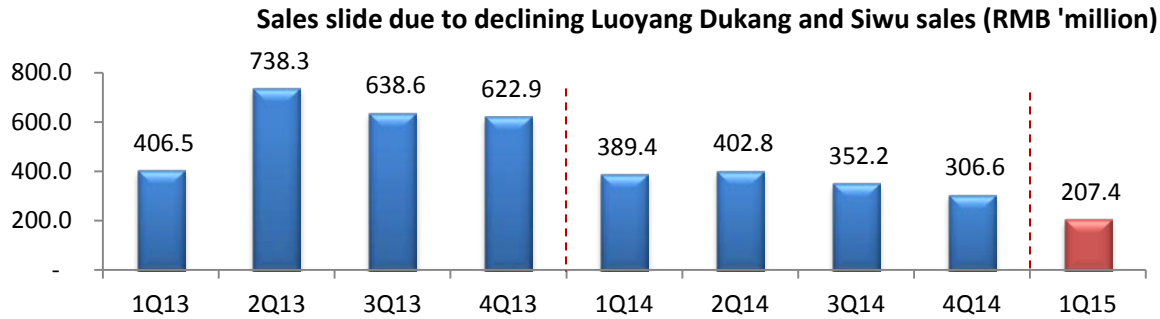


Chart 1: Quarterly turnover streams

As a result of the Chinese government's continuous curb on extravagance, the Group's overall sales took a plunge yoy mainly due to the decrease in revenue from *Luoyang Dukang* and *Siwu*'s operations.

Revenue of *Luoyang Dukang*'s premium series declined 65.1% yoy to RMB42.5 million on the back of a 50.6% and 29.4% yoy decline in sales volume and Average Selling Price ("ASP"), respectively. Sales from *Luoyang Dukang*'s regular series sales decreased 12.7% yoy to RMB164.6 million due to an 18.8% yoy decrease in ASP to RMB25.1 per kilogram, which was partially offset by a 7.4% yoy increase in sales volume to 6,557 tonnes.

**"During this period of changes in the trends of the *baijiu* market, the Group's strategy is to fine tune *Luoyang Dukang*'s product mix to target the mid-to-low end market. This is to mitigate the impact of lower product pricing from the first-tier brands stemming from China's austerity drive.**

**We have also observed the need to put in several times more effort, energy and money to capture the same market share as compared to the past. Therefore, the Group has decided to bring down its costs and gather its resources to sustain the 「Dukang」 brand.**

**Now, it's all about the survival of the fittest. Those that can adapt to the current challenging market environment and continue to exist will emerge as the winner."**

**Mr Zhou Tao, Chairman and Chief Executive Officer**

Due to a shift in *Luoyang Dukang*'s product mix towards the lower margin products as reflected in the ASP drop for both premium and regular series, the Group's overall gross profit margin fell 19.8 percentage points yoy from 38.2% for 1Q2014 to 18.4% for 1Q2015.

During the period under review, the Group's selling and distribution expenses declined 46.1% yoy from RMB78.7 million to RMB42.4 million, accounting for 20.5% of the Group's sales. The Group had reduced its television commercials on China Central Television ("CCTV") by RMB35.1 million and reallocated the advertising and promotional ("A&P") budget to focus more in Henan province.

Financial Year End: End June    1Q2015: July – September 2014    1Q2014: July – September 2014

## Outlook

Commenting on the *baijiu* sector performance and prospects, Executive Chairman and Chief Executive Officer, Mr. Zhou Tao said, **“The effect of the Chinese government curb on public spending had rippled through the *baijiu* industry and is especially felt by the premium brands. We do not expect the curb to be lifted anytime soon.**

**We believe that the demand for *baijiu* is largely intact. However, going forward, consumers will go for moderately priced quality *baijiu* with a strong branding. In order to capture this demand, we are streamlining our distributors in search for compatible partners apart from changing our product mix to cater to the mid-to-low end market. The Group is also engaging innovative sales channels such as internet marketing and social media to capture younger consumers.**

**Bearing in mind that these efforts will take time to produce fruitful results, we, therefore, we sincerely seek patience and understanding from our stakeholders to lend us their relentless support.**

**On the other hand, in anticipation of business opportunities when the market turns around, we will carry out our grain alcohol capacity expansion plan cautiously according to market conditions in order to prepare ourselves with sufficient aged grain alcohol.”**

The Group added 480 new fermentation pools in 1Q2015, which increased the Group’s annual grain alcohol production capacity from 7,610 tonnes to approximately 9,200 tonnes. There were another 480 new fermentation pools in the pipeline.

-End-

## **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 and is the exclusive holder of 「Dukang」 (“杜康”) Brand.

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.

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>	<b>Dukang Distillers Holdings Limited</b>
Yuchao Zhang	Ngo Yit Sung
Investor Relations Consultants	Corporate & Investor Relations Manager
Tel: 65-6438 2990 / Fax: 65-6438 0064	Taiwan Representative
Email: <a href="mailto:staff@financialpr.com.sg">staff@financialpr.com.sg</a>	Tel: 65-8111 4885
	Email: <a href="mailto:ysngo@dukang.com">ysngo@dukang.com</a>