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Dukang Distiller reports revenue of RMB352.2 million and net profit of RMB7.5 million for 3Q2014

- Revenue and gross profit declined 44.8% and 56.6% respectively due to decline in overall average selling price caused by increased market competition
- Selling and distribution expenses decreased by 16.5% due to lower cost for advertisement and promotional activities
- Group to find cheaper alternatives, such as radios advertising for advertisement and promotional activities, while maintaining brand awareness

Financial Highlights

(RMB'Mil)	3Q2014	3Q2013	% Change
Sales	352.2	638.6	(44.8)
Gross Profit	119.0	274.1	(56.6)
Gross Profit Margin	33.8%	42.9%	(9.1) pp
Profit attributable to Shareholders	7.5	102.6	(92.7)
Net Profit Margin	2.1%	16.1%	(14.0) pp
Earnings Per Share* (RMB'cent)	0.9	12.9	(92.7)

*Based on the weighted average number of 798,289,318 ordinary shares in 3Q2014 and 3Q2013

Dukang Distiller reports Singapore & Taiwan, 12 May 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 white liquor (“baijiu”) in Henan, China, registered a 44.8% year-on-year (“yoy”) decline in sales to RMB352.2 million and 92.7% yoy decrease in profit attributable to shareholders to RMB7.5 million for the 3 months ended 31 March 2014 (“3Q2014”).

The Group’s overall sales for 3Q2014 fell as a result of the curb on luxury gifting and spending in China. A steep decrease in sales volume for Luoyang Dukang’s Premium series is observed, translating to a harsh decrease in its revenue dropping from RMB237.4 million to RMB30.6 million for 3Q2014. Although there is a slight increase in sales volume for Luoyang Dukang’s regular series for 3Q2014, overall revenue from Luoyang Dukang series decreased 40.2% due to a 34.7% decline in average selling price from RMB51.3 per kilogram to RMB33.5 per kilogram. The trend of decreasing ASP for baijiu in China continues as demand for premium baijiu falls. Many first-tier baijiu brands reported close to 50% drop in retail price from its peak seasons as a result of the shift in market focus from high-spending government

officials to businessmen and grass-root consumers¹.

Revenue from Siwu's operations continues to fall with the increased market competition. The free falling prices from first-tier brands has a tremendous rippling effect on second- and lower-tier brands. As baijiu has always served as a face-giving gesture among the Chinese, many consumers turn their attention to the more affordable first-tier baijiu products when considering gift options. This further aggravates the fierce market competition among the second- and lower-tier brands, causing a tighter squeeze in their profit margins.

The Group's net profit for 3Q2014 suffered a 92.7% decline due to selling and distribution expenses required for advertising and promotional activities, which is necessary for maintaining Dukang's brand awareness in the dwindling market.

Administrative expense decreased 9.4% as a result of the Group's cost saving efforts by reducing the staff costs and travelling expenses. The Group believes that reducing internal operation spending is the most efficient means of saving costs, as it has the least negative impact on sales volume output.

Outlook

Mr. Zhou Tao, Dukang's Executive Chairman and Chief Executive Officer, comments on the overview of the *baijiu* sector performance and prospects, **"The government's anti-extravagance campaign continues to have a negative effect on the *baijiu* industry. We see a sharp decrease in the demand for high-end *baijiu* with decreasing number of lavish banquet and receptions.**

In response to the market shifts to a more grass-root level consumer base, we have revised our sales strategies and advertisement and promotional methods. We will place more emphasis on the sales of our regular series to appeal to the mass market. With a smaller profit margin, we might consider other more effective advertising and promotional methods to engage our target market of businessmen and grass-root consumers.

Despite the slowdown, we believe that the demand for *baijiu* will return in the long run. *Baijiu* drinking is a deeply rooted culture in China celebrating prosperous joyous occasions. Thus, we will continue to fortify our brand awareness and capacity amidst the difficult times in preparation for the future when demands arise again."

¹ Zhao, Kai and Bo Qiu. [Baijiu: from toasting profit to cutting prices](http://www.chinadaily.com.cn/business/2014-04/30/content_17475339.htm). 30 April 2014. 3 May 2014
<http://www.chinadaily.com.cn/business/2014-04/30/content_17475339.htm>.

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 Depositary Receipts since March 2011.

Issued for and on behalf of Dukang Distillers Holdings Limited

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