杜康控股

Dukang Distillers Holdings Limited

FOR IMMEDIATE RELEASE

Dukang Distillers reports revenue of RMB1.5 billion and net profit of RMB44.1 million for FY2014

- **Revenue and gross profit declined 39.7% and 46.8% respectively as a result of a decline in the overall average selling price caused by increased market competition**
- **Selling and distribution expenses increased by 5.5% despite lower sales due to intensified advertising and promotional activities to mitigate impacts from anti-luxury campaign**
- **Group to streamline product mix to target grass-roots consumer base and to continue its advertising and promotional campaign to mitigate impact from Chinese government's austerity measures**

Financial Highlights

(RMB'Mil)	FY2014	FY2013	% Change
Sales	1,450.9	2,406.2	(39.7)
Gross Profit	523.3	984.3	(46.8)
Gross Profit Margin	36.1%	40.9%	(4.8) pp
Profit attributable to Shareholders	44.1	389.7	(88.7)
Net Profit Margin	3.0%	16.2%	(13.2) pp
Earnings Per Share* (RMB'cent)	5.52	48.81	(88.7)

*Based on the weighted average number of 798,289,318 ordinary shares in FY2014 and FY2013

Singapore & Taiwan, 29 August 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 39.7% year-on-year ("yoy") decline in sales to RMB1.5 billion and 88.7% yoy decrease in profit attributable to shareholders to RMB44.1 million for the financial year ended 30 June 2014 ("FY2014").

The Group saw a decline in overall sales as a result of the clamp down on luxury gifting and lavish banquets and receptions in China. Sales volume for Luoyang Dukang's Premium series took a sharp downturn, translating into a harsh decrease in revenue from RMB893.0 million to RMB318.3 million. Despite a slight increase in sales volume for Luoyang Dukang's Regular series, the overall sales is affected by the downward adjustment of its overall average selling price ("ASP") from RMB55.7 per kilogram to RMB39.1 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 a 50% drop in retail prices from its peak seasons as a result of the shift in market focus from high-spending government officials to general consumers[1].

Revenue from Siwu's operations continues to fall with the increased market competition. The falling prices from first-tier brands have a tremendous rippling effect on second- and lower-tier brands. As first-tier *baijiu* products become increasing affordable, many consumers shift their attention away from second- and lower-tier brands when considering gift options. This thus created a more intense market competition among second- and lower-tier brands, causing a tighter squeeze in their profit margins.

The Group's net profit for FY2014 suffered an 88.7% decline due to selling and distribution expenses required for advertising and promotional activities, which is necessary for maintaining Dukang's brand awareness in the market.

Notably, administrative expenses decreased 17.6% as a result of the Group's cost saving efforts by reducing staff costs and travelling expenses.

Outlook

Mr. Zhou Tao, Dukang's Executive Chairman and Chief Executive Officer, commented, **"FY2014 has been an exceptionally tough year for us as China's *baijiu* industry is drastically shaken by the PRC Government's austerity measures. Along with the decreasing number of lavish official banquets and receptions, the demand for premium *baijiu* has become significantly lower. As a result, we have strategically shifted our production mix and sales focus from our premium series to non-premium series to cater to China's growing grass-roots market.**

In the past year, we noticed that many *baijiu* manufacturers have also undergone product reshuffling and internal restructuring to accommodate the new target group who has lower spending power. Recently, some first-tier *baijiu* manufacturers have reported a slight rebound in their earnings. We hope that this is a sign that the worst is over for the *baijiu* industry.

We believe that *baijiu* drinking is deeply rooted in the Chinese culture and will have a sustainable market demand. Therefore, we will continue our sales and marketing efforts to maintain our market share during this challenging time."

---

[1] Zhao, Kai and Bo Qiu. Baijiu: from toasting profit to cutting prices. 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 Depository Receipts since March 2011.

Issued for and on behalf of Dukang Distillers Holdings Limited

Contact Information

Financial PR Pte Ltd.	**Dukang Distillers Holdings Limited**
Charlotte Fu	Ngo Yit Sung
Investor Relations Consultant	Corporate & Investor Relations Manager
Tel: 65-6438 2990 / Fax: 65-6438 0064	Taiwan Representative
Email: staff@financialpr.com.sg	Email: ysngo@dukang.com

Financial Year End: End June   FY2014: July 2013 – June 2014   FY2013: July 2012 – June 2013