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## Dukang Distillers' 2Q2016 sales increases 11.7% yoy to RMB258.7 million

- Gross profit increased 38.5% while gross profit margin expanded 6.8 percentage points due to higher average selling price
- Intensified advertising and promotional activities to promote new products led to higher selling and distribution expenses
- The Group will adapt to consumer preference and streamline product mix to capture younger market

### Financial Highlights

(RMB'Mil)	2Q2016	2Q2015	% Change
Sales	258.7	231.6	11.7
Gross Profit	91.3	65.9	38.5
Gross Profit Margin (%)	35.3%	28.5%	6.8 pp
(Loss) / Profit Attributable to Shareholders	1.0	3.7	(72.8)
Net Profit Margin (%)	0.4%	1.6%	(1.2)pp
(Loss) / Earnings Per Share* (RMB 'cent)	1.28	0.47	N.M.#

pp: percentage points

N.M.: Not meaningful

\* Based on the weighted average number of 798,289,318 ordinary shares in 2Q2015 and 79,828,931 ordinary shares in 2Q2016

# Not a meaningful comparison as the Earnings Per Share ("EPS") for 2Q2015 was prior to a 10:1 share consolidation, while the EPS for 2Q2016 was after the 10:1 share consolidation

**Singapore & Taiwan, 12 February 2016** – 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, is pleased to announce that its overall sales has increased by 11.7% from RMB231.6 million a year ago to RMB258.7 million for the 3 months ended 31 December 2015 ("2Q2016").

The significant increase in the Group's overall revenue year-on-year ("yoy") is mainly due to the launch of the Group's new products, such as Dukang No.1 under the premium series and Dukang No.2 under the regular series. Revenue of *Luoyang Dukang's* premium series rose 22.2% yoy to RMB58.8 million on the back of a 32.4% increase in sales volume, which was partially offset by a 7.7% decrease in average selling price (ASP). Sales from *Luoyang Dukang's* regular series sales increased 8.9% yoy to RMB199.9 million due to 16.6% increase in ASP, which was partially offset by a 6.5% decrease in sales volume.

Financial Year End: End June 2Q2016: October – December 2015 2Q2015: October – December 2014



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Dukang Distillers Holdings Limited

In tandem with the increase in overall ASP, the Group's gross profit increased 38.5% yoy to RMB91.3 million while gross profit margin increased 6.8 percentage points to 35.3%.

During the period under review, the Group's selling and distribution expenses increased 70.9% yoy to RMB64.6 million mainly due to higher advertising and promotional ("A&P") expenses to promote new products such as Dukang No.1 and Dukang No.2 in Henan province.

## Outlook

Mr Zhou Tao, Dukang's Chairman and Chief Executive Officer, commented, **"The baijiu market is very different today as baijiu consumption and drinking habits have changed significantly. We have moved past the binge drinking era where expensive baijiu used to be downed in successive shots throughout business dinners. Today, younger generations are more inclined to drink sparingly during gatherings and embrace baijiu for its diverse and aromatic expressions and appreciate how it can in fact, be paired with up-scale Chinese cuisine.**

**Retailed between RMB200 to RMB300 per bottle, Dukang No.1 is a high-end product to target the Chinese middle class swelling with young, affluent professionals while Dukang No.2 will appeal to the Millennial Generation with its small-volume packaging and lower proof as well as cheaper retail price between RMB20 to RMB30 per bottle."**

Going forward, the Group will pay close attention to changes in consumer behavior and streamline the Group's product mix as well as present the [Dukang] brand in a more contemporary and trendy approach to appeal to the younger consumers.

-End-

## **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.

## **Contact Information**

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