

FOR IMMEDIATE RELEASE

Dukang Distillers' 3Q2017 sales decreases 82.3% yoy to RMB49.4 million

- Sales and gross profit dropped as production was affected by severe air pollution
- Gross profit margin increased 6.8 percentage points due to change in product mix
- Group to rationalise operations and reduce costs amid challenging market condition

Financial Highlights

(RMB'Mil)	3Q2017	3Q2016	% Change
Sales	49.4	278.9	(82.3)
Gross Profit	20.0	93.8	(78.7)
Gross Profit Margin (%)	40.5%	33.6%	6.8pp
(Loss) / Profit Attributable to Shareholders	(25.1)	(2.7)	N.M.
(Loss) / Earnings Per Share* (RMB)	(0.31)	(0.03)	N.M.

pp: percentage points

N.M.: Not meaningful

* Based on the weighted average number of 79,828,927 ordinary shares for 3Q2016 and 3Q2017

Singapore & Taiwan, 15 May 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 March 2017 (“3Q2017”) has decreased 82.3% from RMB278.9 million a year ago to RMB49.4 million.

The Group’s turnover for 3Q2017 was down year-on-year (“yoy”) as its *baijiu* production was severely affected due to the implementation of emission reduction control measures. Air quality in China has hit its worst during the winter of 2016 and the Group’s production facility can only operate intermittently in its bid to assist the Chinese Government in managing the air pollution.

As the average selling prices (“ASP”) and sales volume of *Luoyang Dukang’s* premium series and regular series fell across the board for 3Q2017, the Group’s gross profit decreased 78.7% yoy to RMB20.0 million. Nonetheless, the Group’s gross profit margin was lifted by 6.8 percentage points to 40.5% as its overall ASP increased due to a change in product mix.

During the period under review, the Group’s selling and distribution expenses decreased 68.1% yoy to RMB22.4 million while administrative expenses reduced by 17.9% yoy to RMB22.1 million. This was mainly due to lower advertising and promotional (“A&P”) expenses and the Group’s effort to improve operational efficiencies and reduce administrative costs.

Financial Year End: End June

3Q2017: January – March 2017 3Q2016: January – March 2016

Outlook

Mr Zhou Tao, Dukang’s Chairman and Chief Executive Officer, commented, **“The baijiu market has become more polarised during the prolonged adjustment period, whereby baijiu consumers migrate either toward the high or low ends of the market segment. Stronger brands and players who are more resilient are able to grow despite headwinds as the market gravitates towards the first-tier brands. On the other hand, it remains challenging for the second-tier baijiu producers like us as we face rising competition from first-tier players.**

The Group is proactively rationalising its operations to increase efficiencies and to reduce costs in its bid to tide through this difficult period.”

-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.