

BUSINESS

Moutai toasts healthy growth

Liquor-maker optimistic on sector stability amid consumption upgrade trend

By **ZHU WENQIAN** in Beijing and **YANG JUN** in Guiyang

Kweichow Moutai Co Ltd, China's signature high-end spirit maker, has reported booming profit growth in 2018, and a robust growth plan for 2019.

Last year, Moutai, a distiller from Maotai town in Southwest China's Guizhou province, achieved whole-year sales revenue of 75 billion yuan (\$10.9 billion), up 23 percent year-on-year.

In the same period, its profit exceeded its annual growth plan, totaling 34 billion yuan, jumping 25 percent over the previous year, according to a company statement released on Wednesday.

In 2018, the company produced 49,700 metric tons of Moutai liquor, and 20,500 tons of Moutai series wine, the statement said. In 2017, it produced 42,700 tons of Moutai liquor.

"This year, we aim to achieve sales revenue of 100 billion yuan, growing 14 percent, and reach a net profit of 45 billion yuan. Our good performance last year indicates that the growing power of Moutai is strong enough to drive further gains," said Li Baofang, chairman of Moutai.

"We will continue to expand the capacity of Moutai liquor and series wines, raise the proportion of direct sales, and upgrade our product structures. The company will endeavor to maintain the prices at a stable level," he said.

Last week, Moutai said at its meeting with nationwide dealers that the company will not raise the prices of Moutai liquor and its series wines this year, and even in the next few years. It also plans to



Workers attach red Moutai ribbons to liquor products on the production line of a Kweichow Moutai factory in Renhuai, Guizhou province. YANG JUN / CHINA DAILY

establish a more comprehensive sales system, and introduce more distinctive and tailored services for its member customers.

"This year, the pace of price rises in the high-end liquor sector is expected to slow, and the sector is expected to maintain a moderate growth rate by maintaining stable prices and continually increasing sales volumes," said Minsheng Securities in a research report.

Shanghai-listed Moutai edged up 8.97 yuan per share to close 1.52 percent higher in Wednesday's trading, while the index and liquor sector saw lukewarm performances overall.

The company's valuation now stands at 752 billion yuan. Earlier, it became the first consumer stock with a market value exceeding 1 trillion yuan.

Moutai's rivals Sichuan province-based Wuliangye Yibin Co Ltd and Luzhou Laojiao Group, in addition to Anhui province-based Gujing Group, among others, saw their shares fall in Wednesday's trading.

Investment bank BOC International (China) Co Ltd said that from 2019 to 2020, despite slower overall growth after more rapid growth previously, market demand for liquor products will remain robust, fueled by the ongoing consumption upgrade trend in the country.

A 500-milliliter bottle of Moutai's classic Feitian 53 percent liquor that left the factory in 2015 now carries a price tag of 2,388 yuan on online shopping platform JD.

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Baidu banking on tech for further gains

By **FAN FEIFEI**
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Chinese internet search giant Baidu Inc has reported revenues exceeding 100 billion yuan (\$14.6 billion) for last year, marking a milestone for the company's efforts to accelerate its business growth, and make breakthroughs and innovations, said Robin Li, chairman and CEO of Baidu, in an internal letter on Wednesday.

"The achievement and progress we have made in 2018 is constantly strengthening the confidence of our users and public awareness of Baidu, a company that can make good products and is favored by users, has come back," said Li on the first workday of 2019.

Li said in the letter that artificial intelligence is accelerating its penetration into all aspects of life in 2019, creating huge development opportunities and space for upgrading. Looking ahead, Baidu should fulfill its mission and have the courage to take on responsibilities, he added.

"Because of our leading investment in the application of AI and other cutting-edge technologies, we have the confidence and courage to grasp the era that others do not have," said Li, emphasizing that Baidu is in a critical period of industry development and will step up efforts in research and development.

Li also noted that Baidu's search business, self-driving technology, intelligent home system, and video offerings achieved significant growth last year.

The Nasdaq-listed firm delivered a solid third-quarter financial performance, with impressive results from its search, feed and new AI businesses. Total revenue

hit 28.2 billion yuan in the third quarter, increasing 27 percent year-on-year.

"Feed revenue has been a bright spot in driving Baidu's revenue growth due to robust user traffic growth, as well as strong traction with Baidu's video offerings," Li said.

On the AI side, the company's DuerOS conversational system continues to see strong adoption, with voice queries surpassing 800 million in September 2018. Its fully autonomous Apolong minibuses powered by the Apollo autonomous driving platform have run services in over 10 locations.

28.2 billion yuan
revenue of Baidu in the third quarter of 2018

The company said it saw strong traffic and revenue growth from its Baidu App feed business, and is replicating this formula to develop other feed apps, such as Haokan, its short-video app.

"Baidu hopes to strengthen its existing technology and search advantages, on the basis of which the company can accelerate the monetization of its mobile terminal services," said Dong Xu, senior analyst at Beijing-based market research company Analysys.

Dong added that speeding up its internationalization efforts in business and investment will also become an important goal for Baidu in the new era.

In November, Baidu announced it will launch cars with Level 4 autonomous capabilities in 2019 in a partnership with Hongqi, a homegrown brand that is a subsidiary of automaker FAW Group.

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Li Baofang, chairman of Moutai



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