



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
1QFY18 Results**

April 27, 2018

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Business Overview

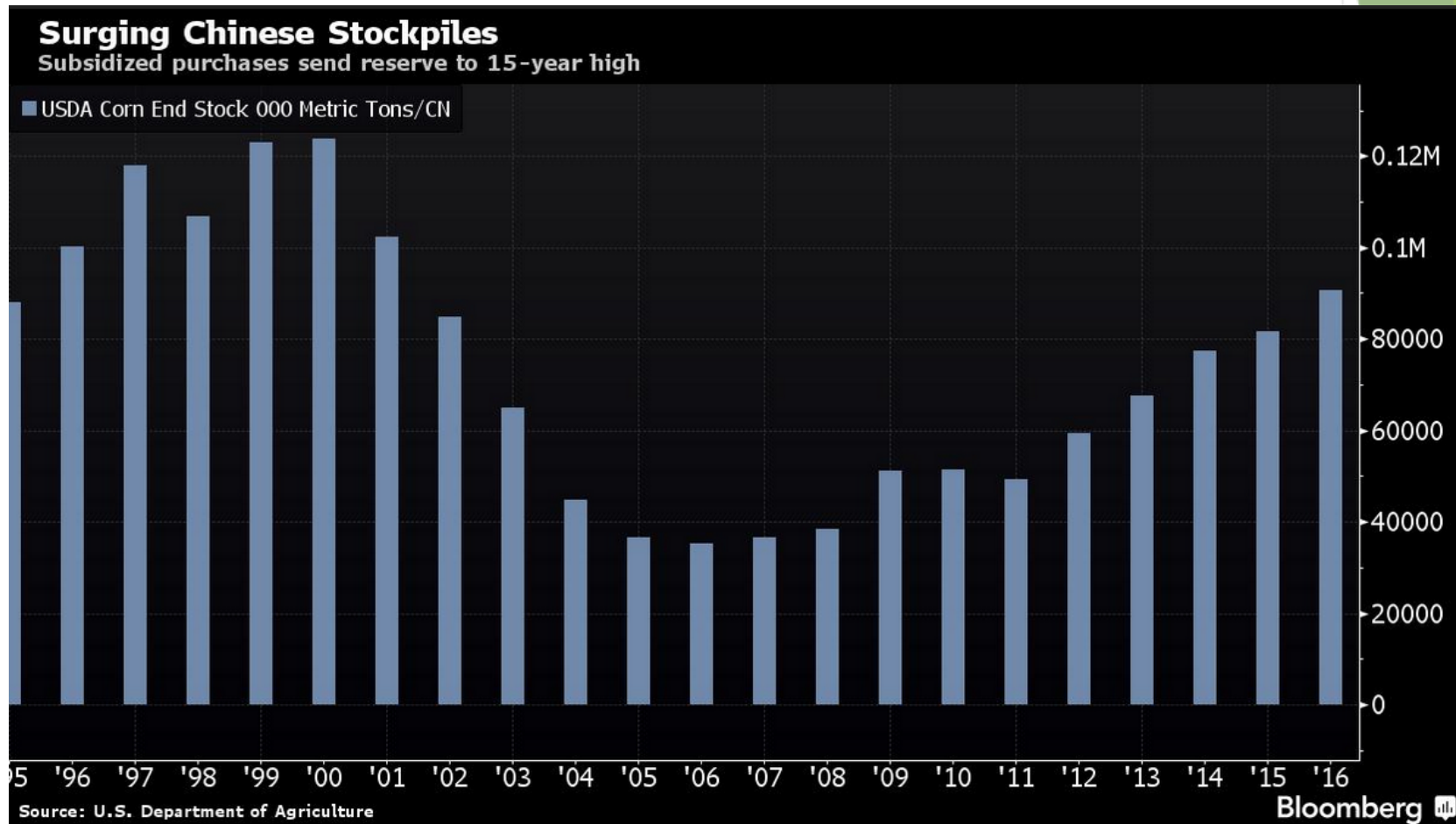


Operating Climate

- **Government continues to push for consumer-driven economic model to stimulate its domestic economy**
- **The Group expects the market conditions in the near future to be challenging due to increase in raw corn materials prices and hence high cost of production**
- **The Group expects demand to be sluggish in the short to mid-term due to the threat of a full-blown trade war between China and the US.**
- **The Central government's changes to the environmental control requirements will also lead to increase in cost of production.**

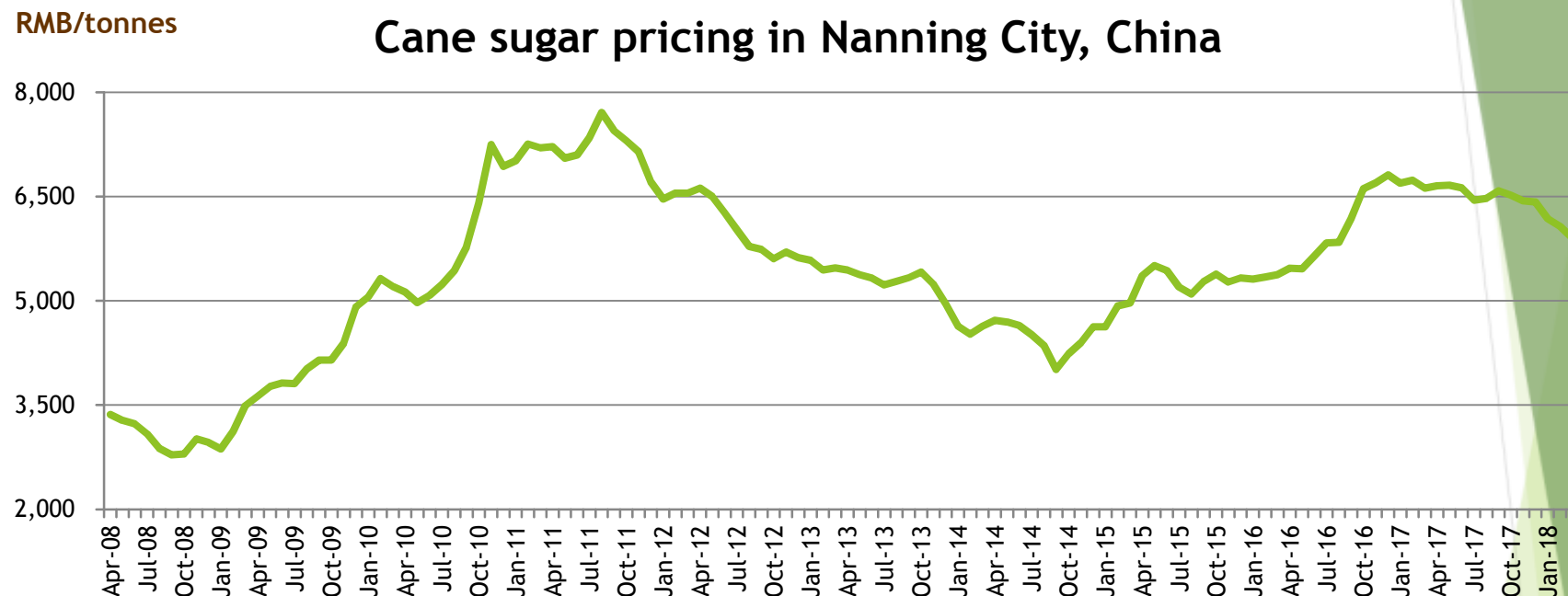
Operating Climate

- 🟡 The USDA estimates that corn stockpiles in China are projected to reach 90.6 million metric tons this year



Source: Bloomberg, <http://www.bloomberg.com/news/articles/2015-11-03/drought-turning-china-hope-for-record-crop-into-shrunk-harvest>

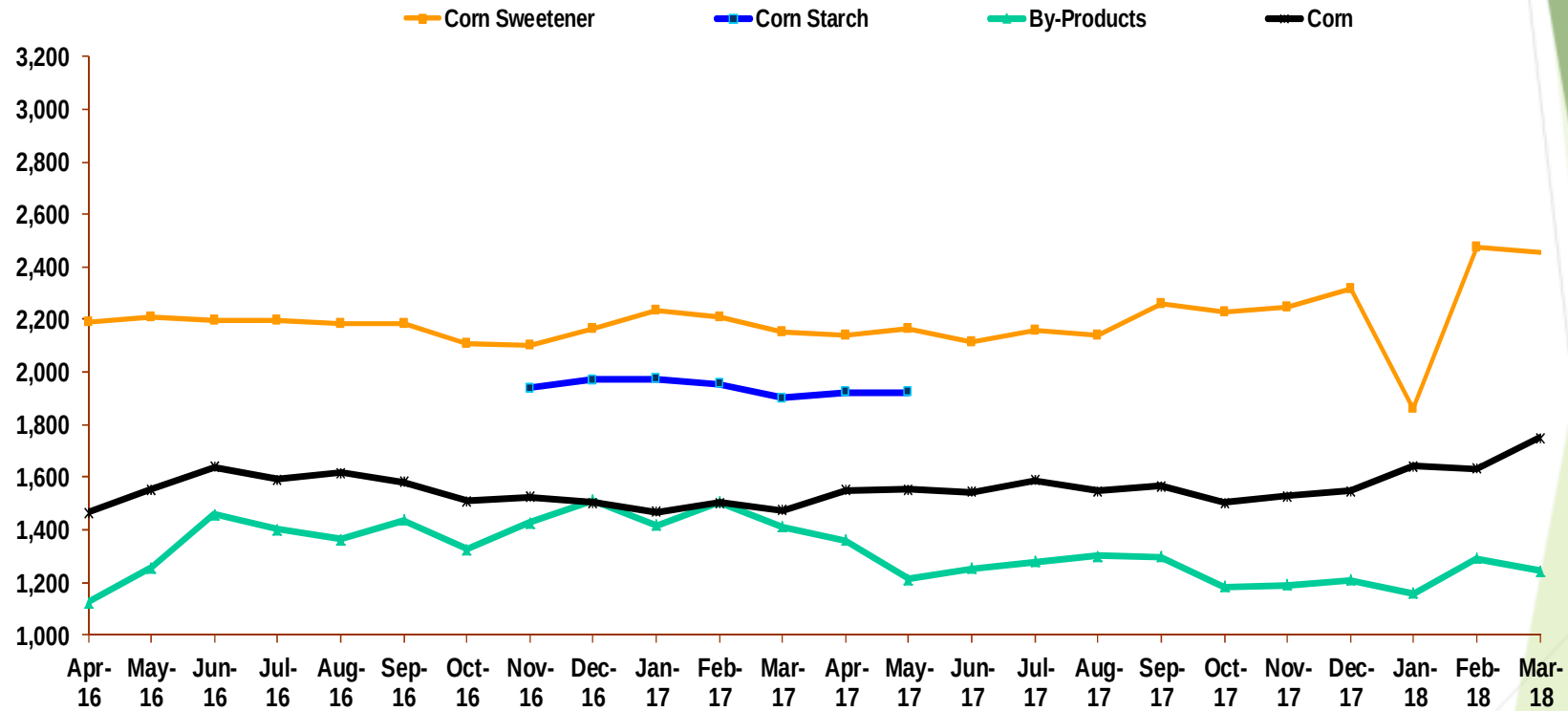
Price Comparisons to Cane Sugar



- High price of cane sugar has resulted in food & beverage manufacturers turning to alternative sweeteners
- For comparison, the prices of sweetener products supplied by Luzhou (as at March 2018) are as follows:
 - Fructose: RMB 2,471/tonne
 - Dextrose: RMB 2,418/tonne
 - High Maltose Syrup: RMB 2,287/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



1QFY18 Financial Highlights

- 💡 **Group revenue increased by 6.1% y-o-y**
- 💡 **Gross profit margin of 12.3%, 6.1% lower y-o-y;**
- 💡 **Net profit of RMB 3.0 million, increased by 168.5% compared with net loss of RMB 4.4 million in 1QFY17**
- 💡 **Net profit margin of 0.6%, increased compared with net loss margin of 0.9% in 1QFY17**
- 💡 **Cash and cash equivalents of RMB 184.0 million as at 31 March, 2018 (RMB 190.3 million as at 31 December, 2017)**

Income Statement Highlights

RMB'mil	1QFY18	y-o-y Chg (%)	4QFY17	q-o-q Chg (%)
Revenue	517.1	6.1	528.9	(2.2)
Gross Profit	63.5	(0.3)	64.7	(1.9)
Profit/(Loss) Before Tax	4.0	197.3	(34.2)	111.7
Net Profit/(Loss)	3.0	168.5	(34.3)	108.7
Gross Profit Margin	12.3%	(6.1)	12.2%	0.8
Net Profit/(Loss) Margin	0.6%	166.7	(6.5%)	109.2

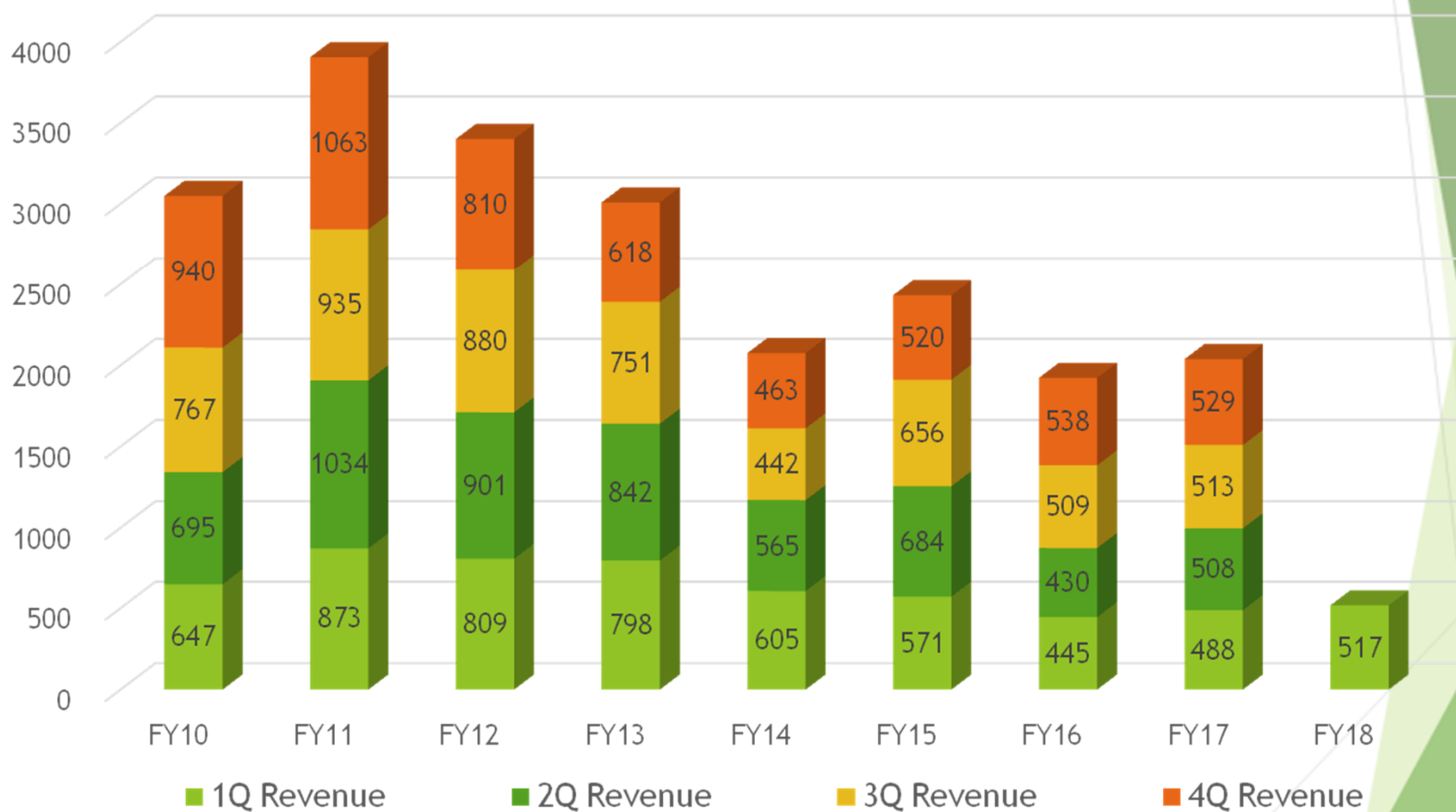
1Q: Three months ended March 31

4Q: Three months ended December 31

FY: Year ended December 31

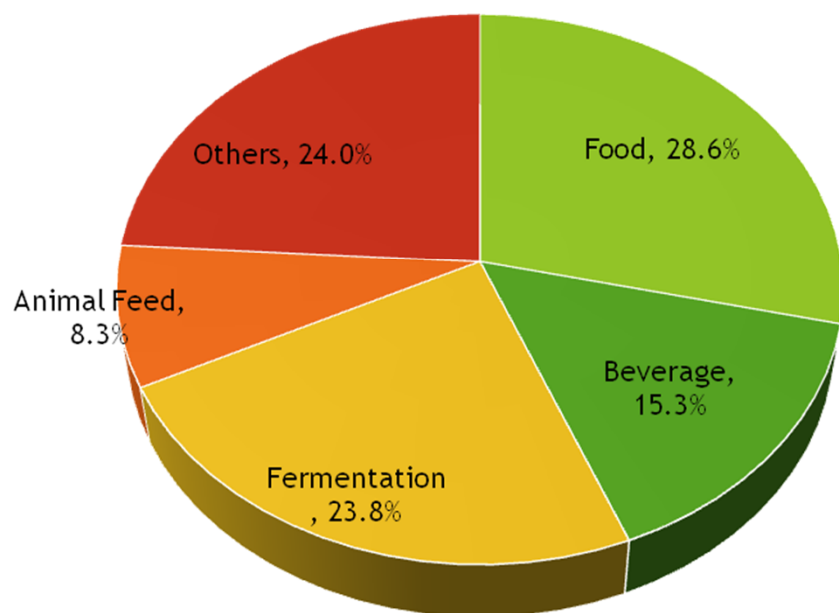
Revenue

RMB'mil



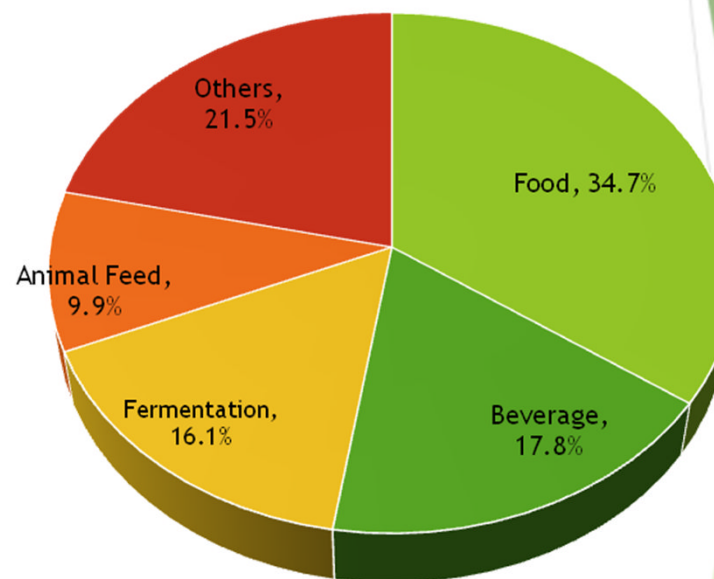
Revenue by Industry

1QFY18



Total Revenue: RMB517.1mil

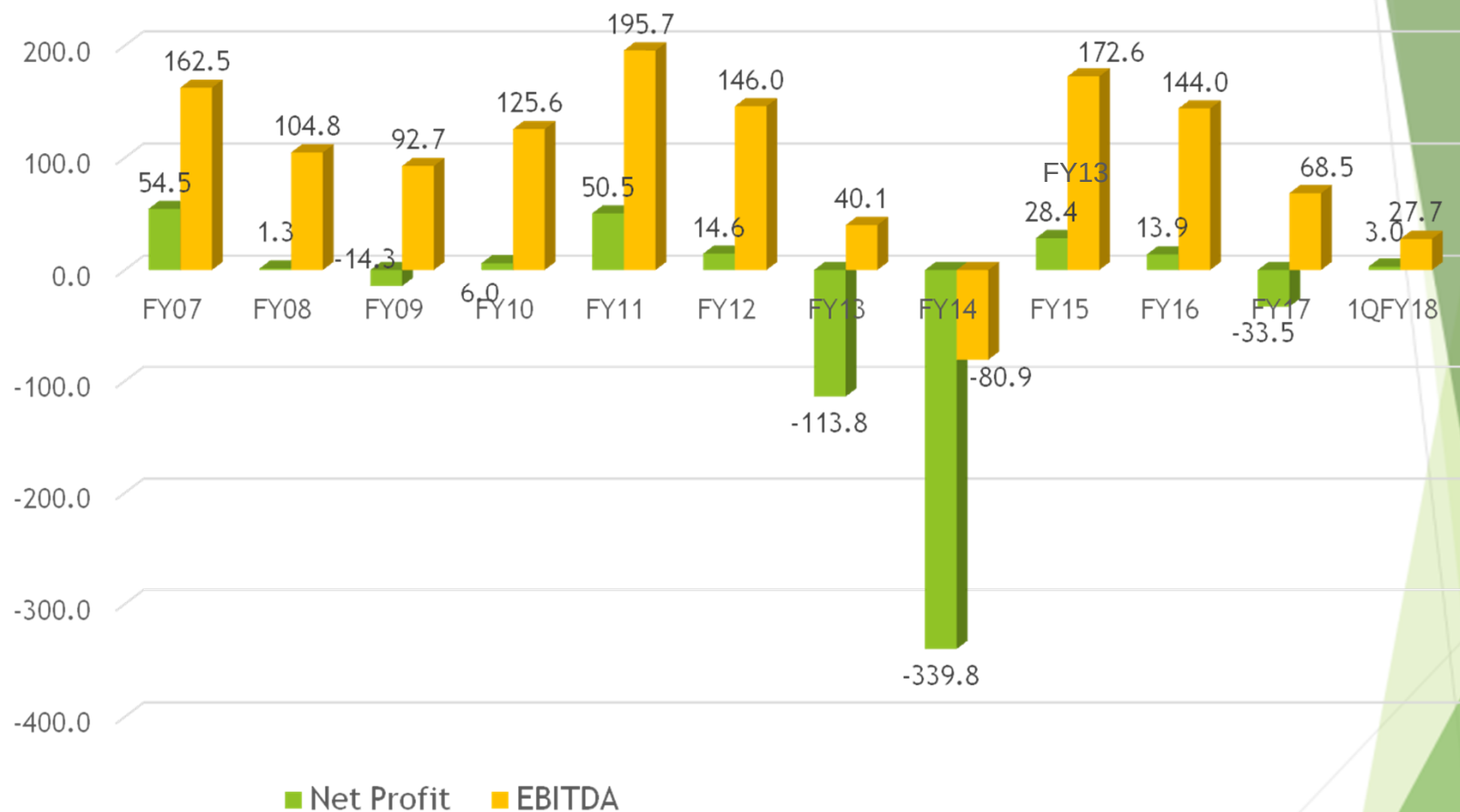
1QFY17



Total Revenue: RMB 487.5 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 1QFY18	As at end FY17	Chg (%)
Current Assets	630.6	602.3	4.7
- Cash & Cash Equivalents	184.0	190.3	(3.3)
- Inventories	208.2	188.4	10.5
- Trade and Other Receivables	238.4	223.0	6.9
Total Assets	1,297.7	1,288.5	0.7
Current Liabilities	588.4	568.1	3.6
- Trade and Other Payables	360.8	341.0	5.8
- Short Term Borrowings	220.0	220.0	-
Long Term Borrowings	574.0	587.0	(2.2)
Total Liabilities	1,199.3	1,193.1	0.5

Balance Sheet Highlights

RMB'mil	As at end 1QFY18	As at end FY17	Chg (%)
Inventory Turnover Days	40	36	11.1
Receivables Turnover Days	32	32	-
Payables Turnover Days	53	48	10.4
Debt to Equity Ratio [#]	8.07	8.46	(4.6)
Price to Book Value [*]	0.69	0.62	11.3

[#] *Total interest bearing loans / Total equity*

^{*} *Based on share price of RMB 0.115 as at April 2, 2018*

Cash Flow Statement Highlights

RMB'mil	1QFY18	1QFY17	Chg (%)
Net Cash Generated from Operating Activities	18.9	17.5	8.0
Net Cash (Used in) Investing Activities	(0.8)	(6.5)	(87.7)
Net Cash (Used in) Financing Activities	(24.3)	(2.4)	912.5
Net (Decrease)/Increase in Cash & Bank Balances	(6.3)	8.6	(173.3)
Cash & Bank Balances at Beginning of Period	93.0	155.2	(40.1)
Cash & Bank Balances at End of Period	86.7	163.8	(47.1)

Growth Strategies



Growth Strategies

- 🍯 **Focusing on products where the Group has pricing advantages as a high volume producer (e.g. Sorbitol), and high margin products such as fructose, high maltose syrup, maltitol, etc.**
- 🍯 **Cost savings from suspension of unprofitable products**
- 🍯 **Consolidation of production facilities and upgrading to flexible production lines, to achieve higher production efficiency, capacity, and economies of scale**

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