



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
2QFY18 Results**

August 13, 2018

Contents

- 🍌 **Business Overview**
- 🍌 **Financial Highlights**
- 🍌 **Growth Strategies**

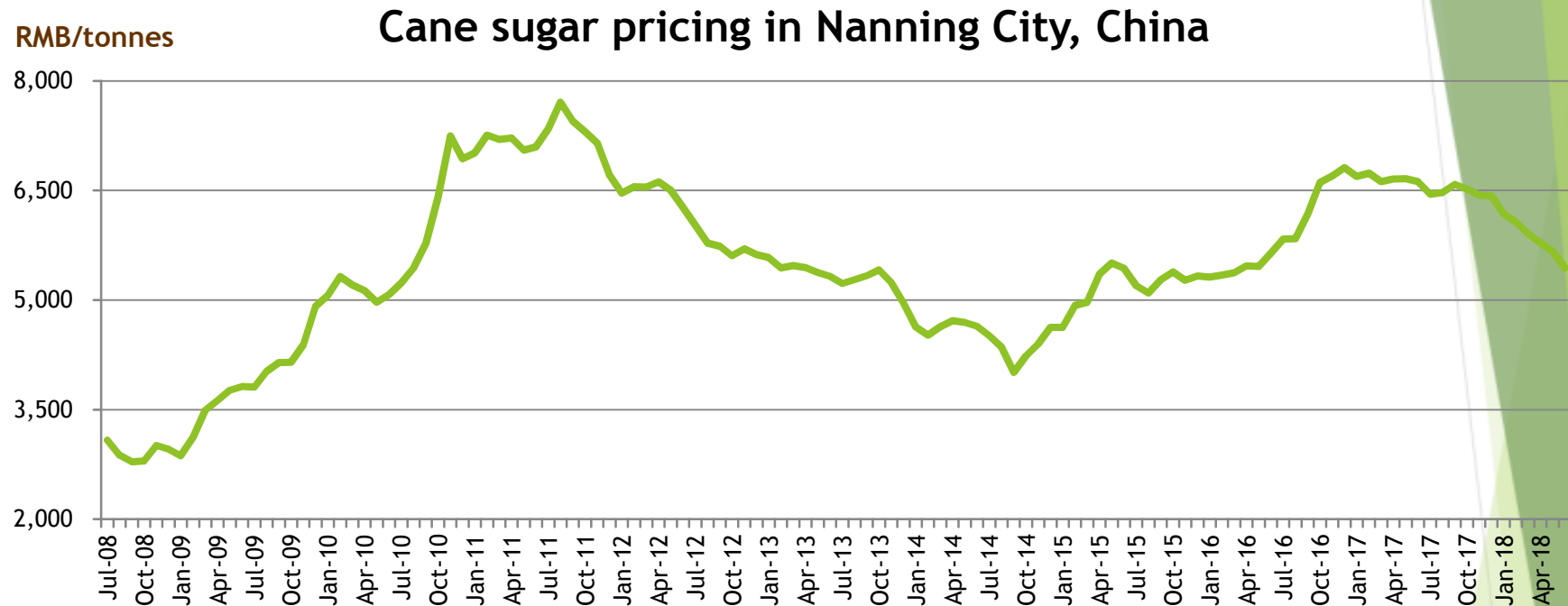
Business Overview



Operating Climate

- **Government continues to push for consumer-driven economic model to stimulate its domestic economy. This restructuring process is slowing down due to slower investment growth.**
- **The Group expects the market conditions in the near future to be challenging due to increase in raw corn materials prices, higher borrowing cost due to tighter bank lending policy which will lead to higher operating and production costs.**
- **As China is taking the lead in the global climate change during the Paris Climate Accord, the Group expects tougher environmental controls and thus increase its operating costs.**
- **Due to the trade-war between China and the United States that imposes tariffs on commodities and consumer goods by both countries on each other, the Group expects slower demand of its products in the foreseeable future.**

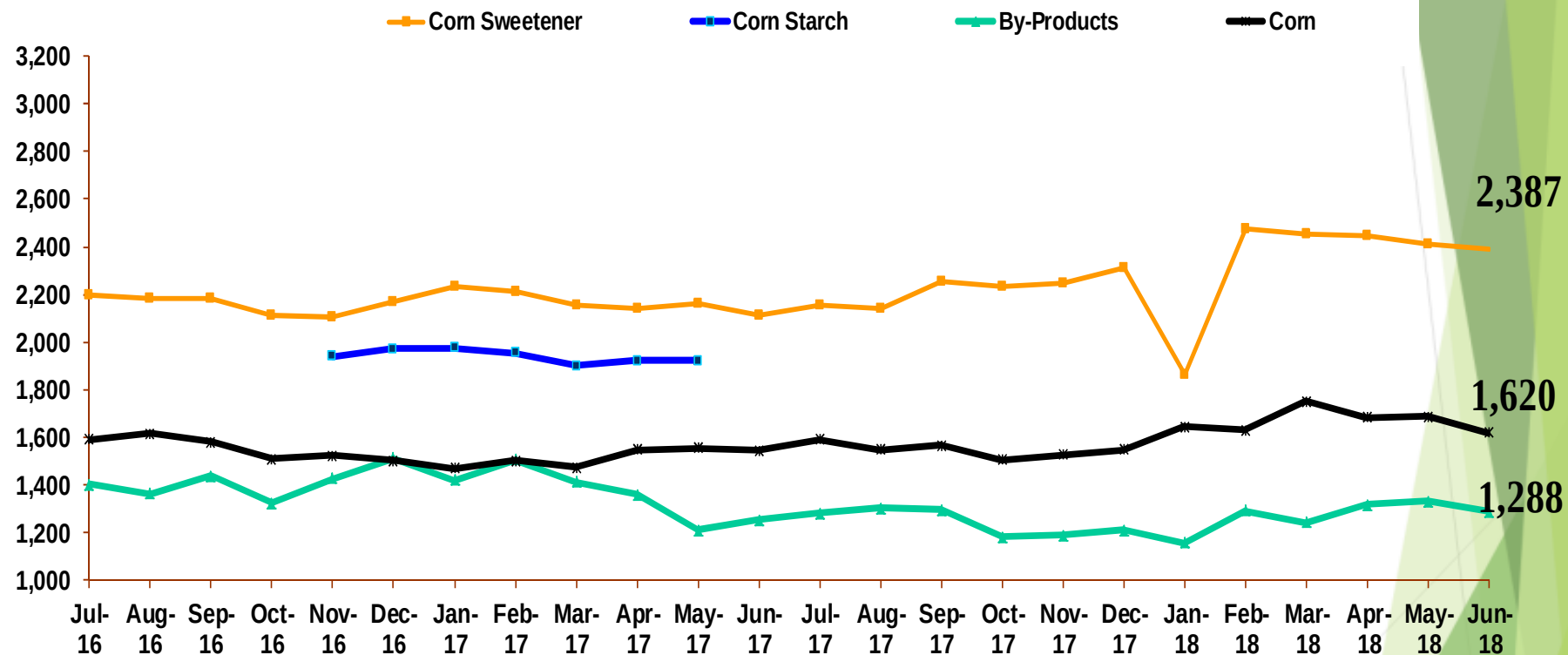
Price Comparisons to Cane Sugar



- 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 June 2018) are as follows:
 - Fructose: RMB 2,545/tonne
 - Dextrose: RMB 2,313/tonne
 - High Maltose Syrup: RMB 2,196/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



1HFY18 Financial Highlights

- 💡 **Group revenue increased by 6.6% y-o-y**
- 💡 **Gross profit margin of 10.7%, 0.9% lower y-o-y;**
- 💡 **Net loss of RMB 7.5 million, decreased by 121.2% compared with net profit of RMB 35.3 million in 1HFY17**
- 💡 **Net loss margin of 0.7%, decreased by 120% compared with net profit margin of 3.5% in 1HFY17**
- 💡 **Cash and cash equivalents of RMB 195.0 million as at 30 June, 2018 (RMB 190.3 million as at 31 December, 2017)**

Income Statement Highlights

RMB'mil	2QFY18	2QFY17	y-o-y Chg (%)	1HFY18	1HFY17	y-o-y Chg (%)
Revenue	545.0	508.6	7.2	1,062.1	996.1	6.6
Gross Profit	50.1	44.2	13.5	113.6	107.9	5.3
(Loss)/Profit Before Tax	(9.5)	40.0	(123.7)	(5.5)	35.9	(115.2)
Net (Loss)/Profit	(10.5)	39.7	(126.5)	(7.5)	35.3	(121.2)
Gross Profit Margin	9.2%	8.7%	5.7	10.7%	10.8%	(0.9)
Net (Loss)/Profit Margin	(1.9%)	7.8%	(124.4)	(0.7%)	3.5%	(120.0)

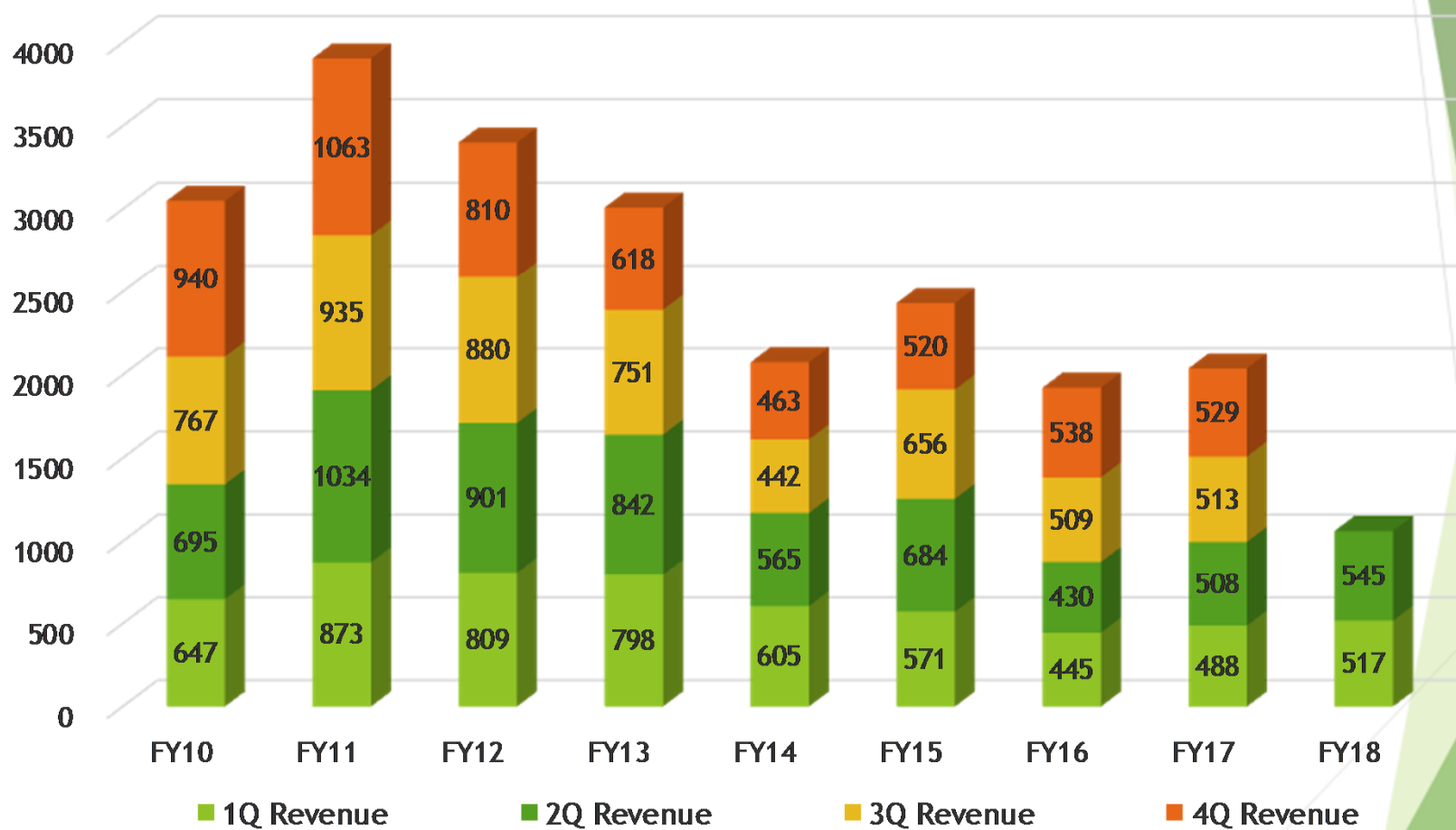
2Q: Three months ended June 30

1H: Six months ended June 30

FY: Twelve months ended December 31

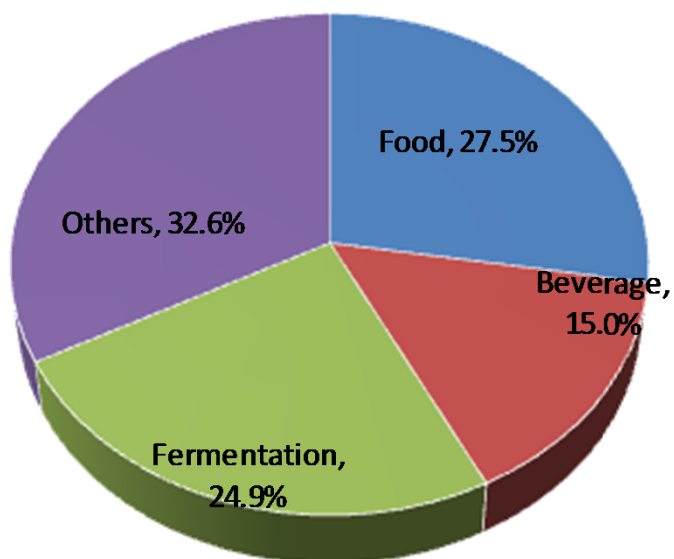
Revenue

RMB'mil



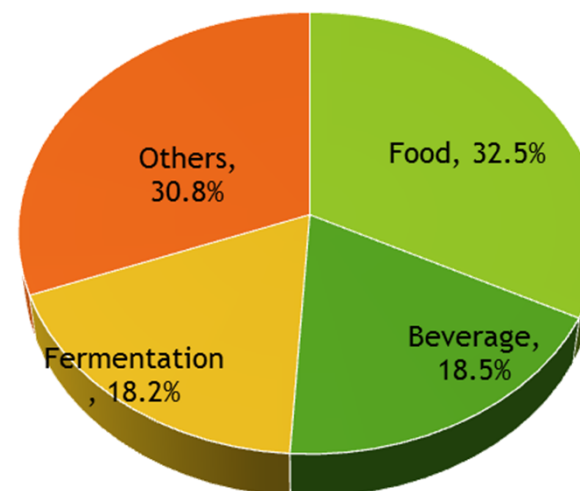
Revenue by Industry

1HFY18



Total Revenue: RMB 1,062.1 mil

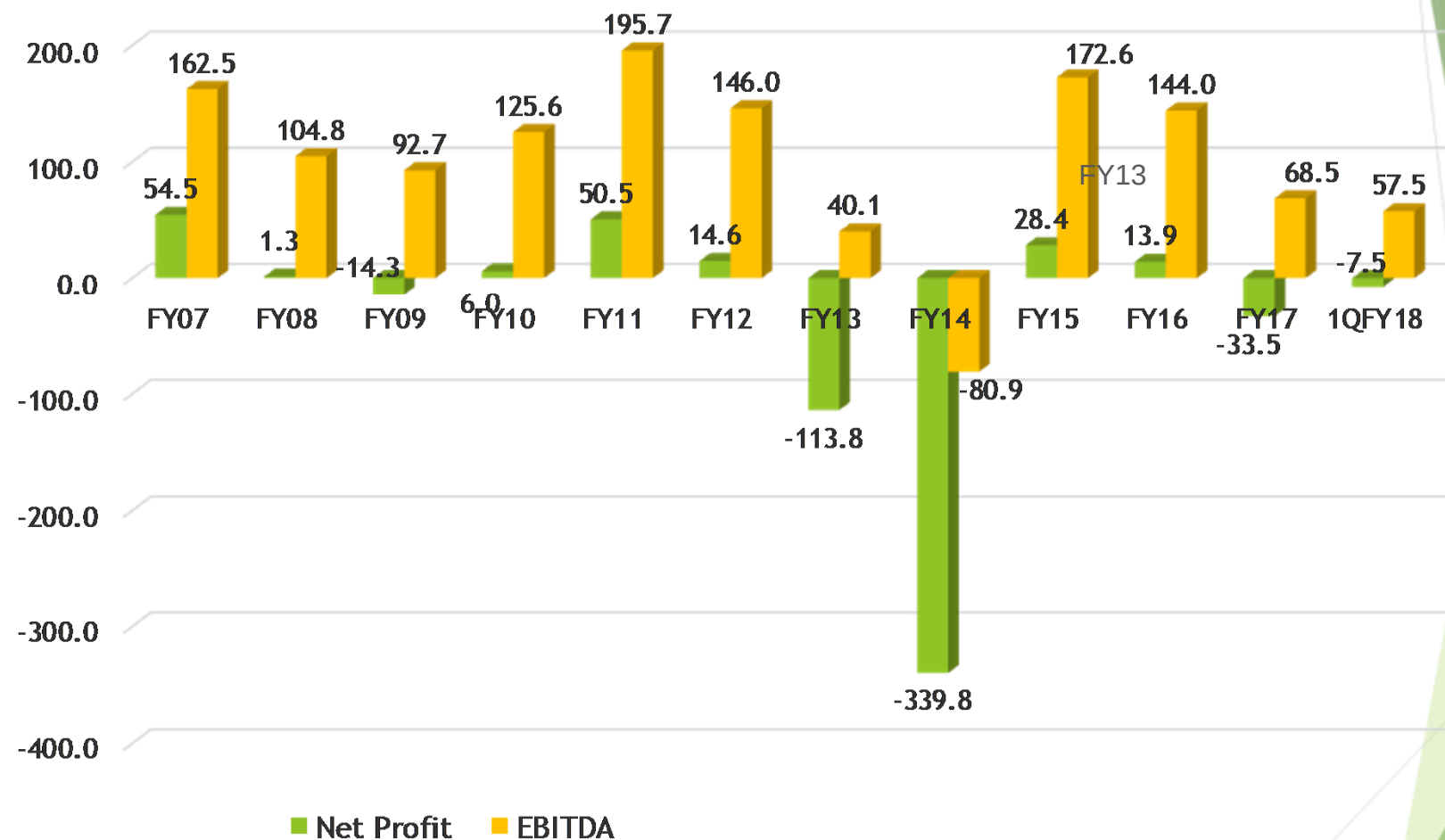
1HFY17



Total Revenue: RMB 996.1 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 1HFY18	As at end FY17	Chg (%)
Current Assets	682.7	602.3	13.3
- Cash & Cash Equivalents	195.0	190.3	2.5
- Inventories	222.1	188.4	17.9
- Trade and Other Receivables	265.6	223.0	19.1
Total Assets	1,334.4	1,288.5	3.6
Current Liabilities	620.8	568.1	9.3
- Trade and Other Payables	380.4	341.0	11.6
- Short Term Borrowings	232.7	220.0	5.8
Long Term Borrowings	590.2	587.0	0.5
Total Liabilities	1,246.6	1,193.1	4.5

Balance Sheet Highlights

RMB'mil	As at end 1QFY18	As at end FY17	Chg (%)
Inventory Turnover Days	39	36	8.3
Receivables Turnover Days	33	32	3.1
Payables Turnover Days	52	48	8.3
Debt to Equity Ratio [#]	9.37	8.46	10.8
Price to Book Value [*]	0.77	0.62	24.2

[#] Total interest bearing & interest-free loans / Total equity

^{*} Based on share price of RMB 0.114 as at July 24, 2018

Cash Flow Statement Highlights

RMB'mil	1HFY18	1HFY17	Chg (%)
Net Cash Generated from Operating Activities	16.9	56.8	(70.2)
Net Cash (Used in) Investing Activities	(4.9)	(6.0)	(18.3)
Net Cash (Used in) Financing Activities	(6.3)	(56.9)	(88.9)
Net Increase/(Decrease) in Cash & Bank Balances	5.6	(6.1)	191.8
Cash & Bank Balances at Beginning of Period	93.0	155.2	(40.1)
Cash & Bank Balances at End of Period	98.6	149.1	(33.9)

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**

Safe Harbour Statement

This presentation may contain forward looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on this presentation and the information contain therein, which are based on current view of management on future events.

Without prejudice to or derogating from the generality of the foregoing, no representation or assurance is given by Luzhou Bio-chem Technology Limited that this presentation contains all information that an investor may require. To the extent permitted by applicable law, by Luzhou Bio-chem Technology Limited or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) arising from the reliance or use of the information contain in this presentation.

Investors are advised to make their own independent evaluation from this presentation, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as the legal, business, financial, tax and other aspects as investors may regard as relevant.



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

For more information, please visit
www.luzhoufood.com

THANK YOU