



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
4QFY18 Results**

February 28, 2019

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Business Overview



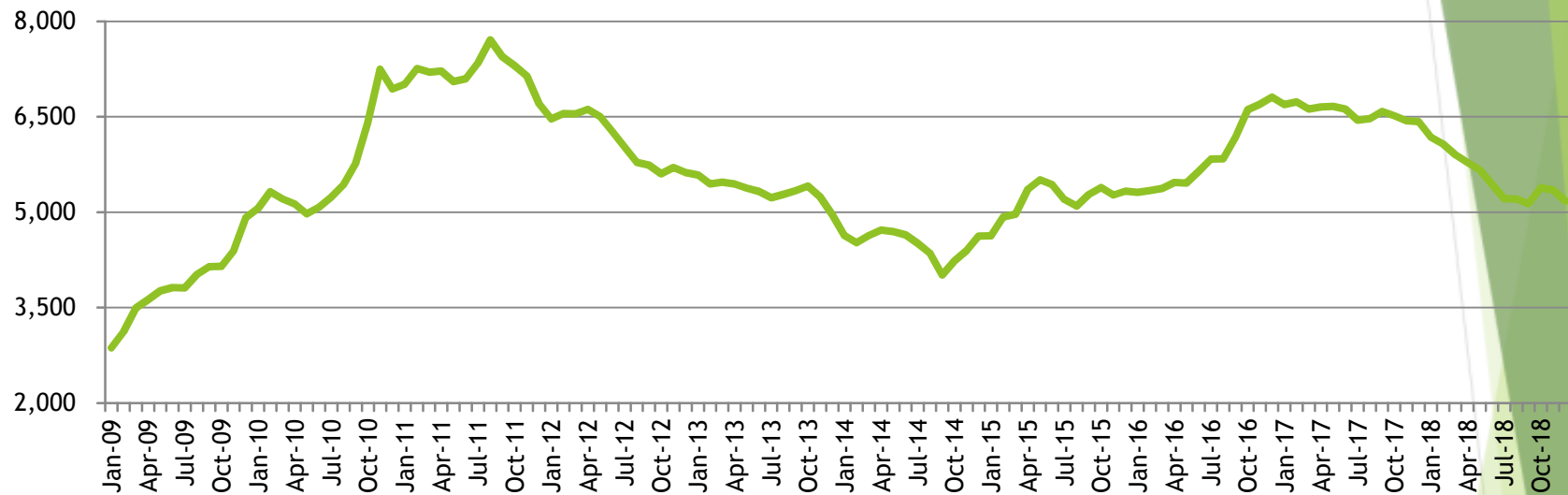
Operating Climate

- **The Chinese government continues to push for consumer-driven economic model to stimulate its domestic economy in view of the slowing down of its economy due to trade war with the United States.**
- **The Group expects the raw corn materials prices to remain stable at least in the short to medium term. However, the Group expects its selling prices to face some downward pressure due to stiffer competition.**
- **The Group also expects higher capital investment for the upgrading of its plants and equipment in order to meet tighter regulations on air pollution control.**
- **As the Chinese government continues to pump more liquidity into the economy, the Group expects to benefit from the easing of cash flow and lower borrowing costs.**

Price Comparisons to Cane Sugar

RMB/tonnes

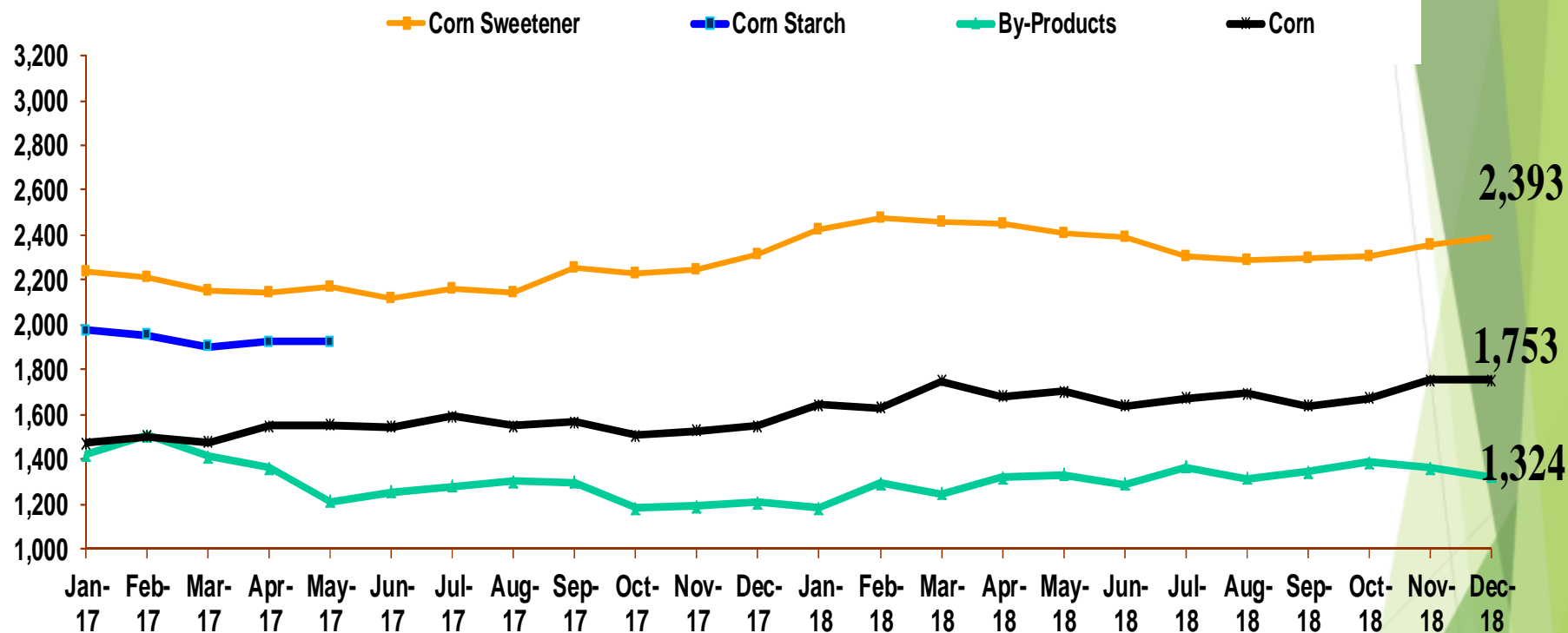
Cane sugar pricing in Nanning City, China



- 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 December 2018) are as follows:
 - Fructose: RMB 2,598/tonne
 - Dextrose: RMB 2,384/tonne
 - High Maltose Syrup: RMB 2,254/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



FY18 Financial Highlights

- 💡 **Group revenue increased by 9.1% y-o-y**
- 💡 **Gross profit margin of 9.7%, 5.8% lower y-o-y;**
- 💡 **Net loss of RMB 90.5 million, decreased by 170.1% compared with net loss of RMB 33.5 million in FY17**
- 💡 **Net loss margin of 4.1%, decreased by 156.3% compared with net loss margin of 1.6% in FY17**
- 💡 **Cash and cash equivalents of RMB 163.7 million as at 30 December, 2018 (RMB 190.3 million as at 31 December, 2017)**

Income Statement Highlights

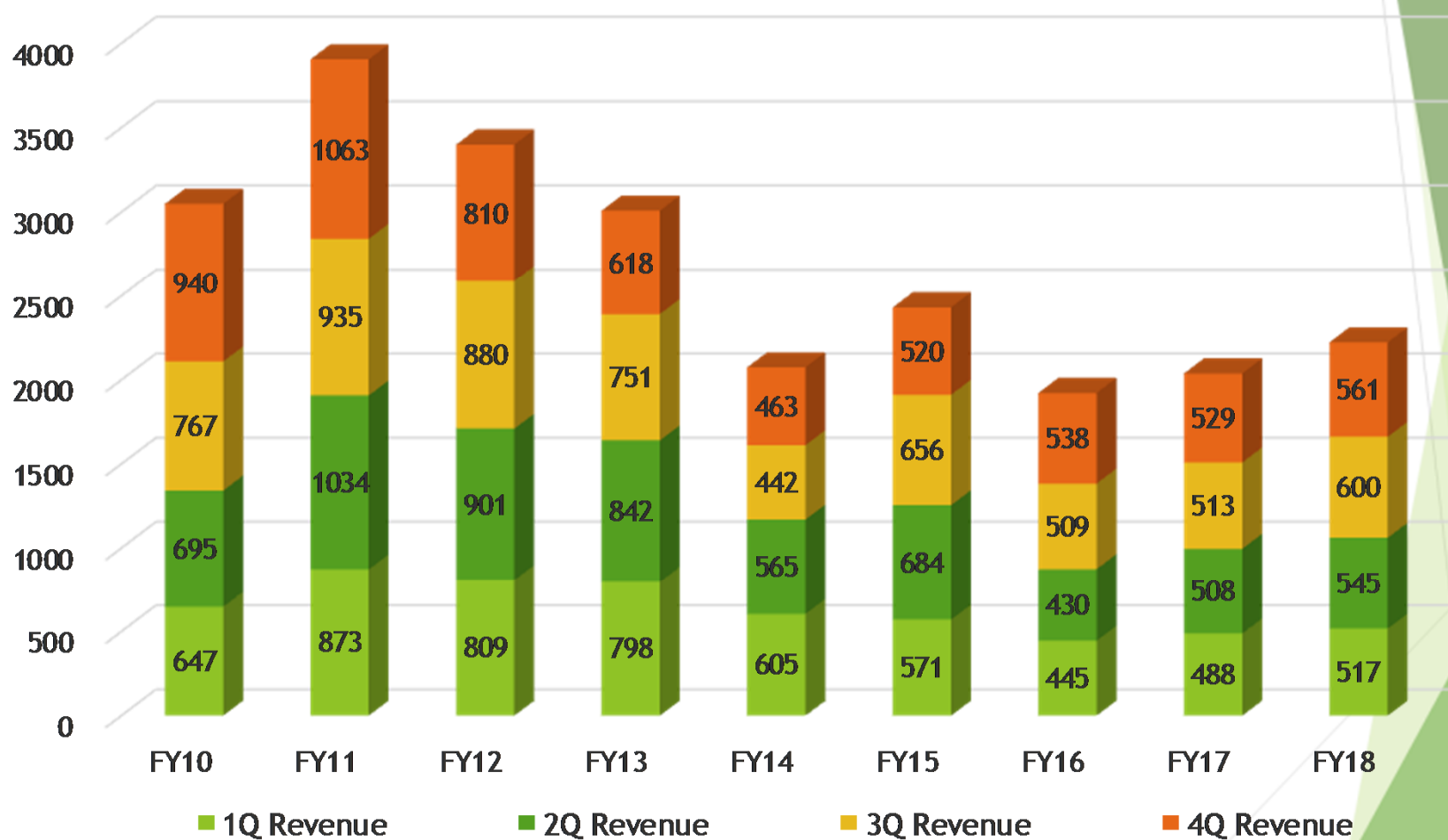
RMB'mil	4QFY18	4QFY17	y-o-y Chg (%)	FY18	FY17	y-o-y Chg (%)
Revenue	560.4	528.9	6.0	2,222.8	2,038.3	9.1
Gross Profit	52.8	64.7	(18.3)	216.0	209.1	3.3
(Loss) Before Tax	(68.1)	(34.2)	(99.3)	(85.5)	(32.8)	(160.4)
Net (Loss)	(70.4)	(34.3)	(105.2)	(90.5)	(33.5)	(170.1)
Gross Profit Margin	9.4%	12.2%	(23.0)	9.7%	10.3%	(5.8)
Net (Loss) Margin	(12.6%)	(6.5%)	(93.8)	(4.1%)	(1.6%)	(156.3)

4Q: Three months ended December 31

FY: Twelve months ended December 31

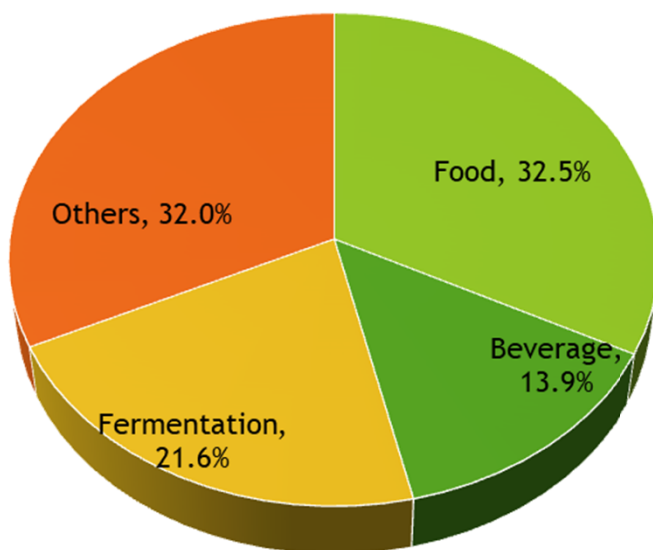
Revenue

RMB'mil



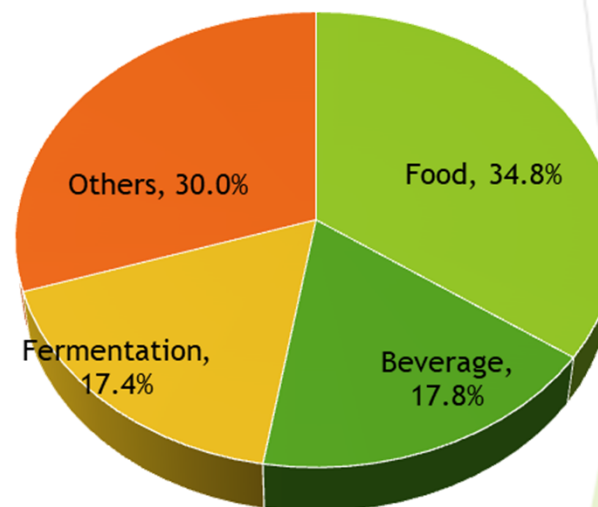
Revenue by Industry

FY18



Total Revenue: RMB 2,222.8 mil

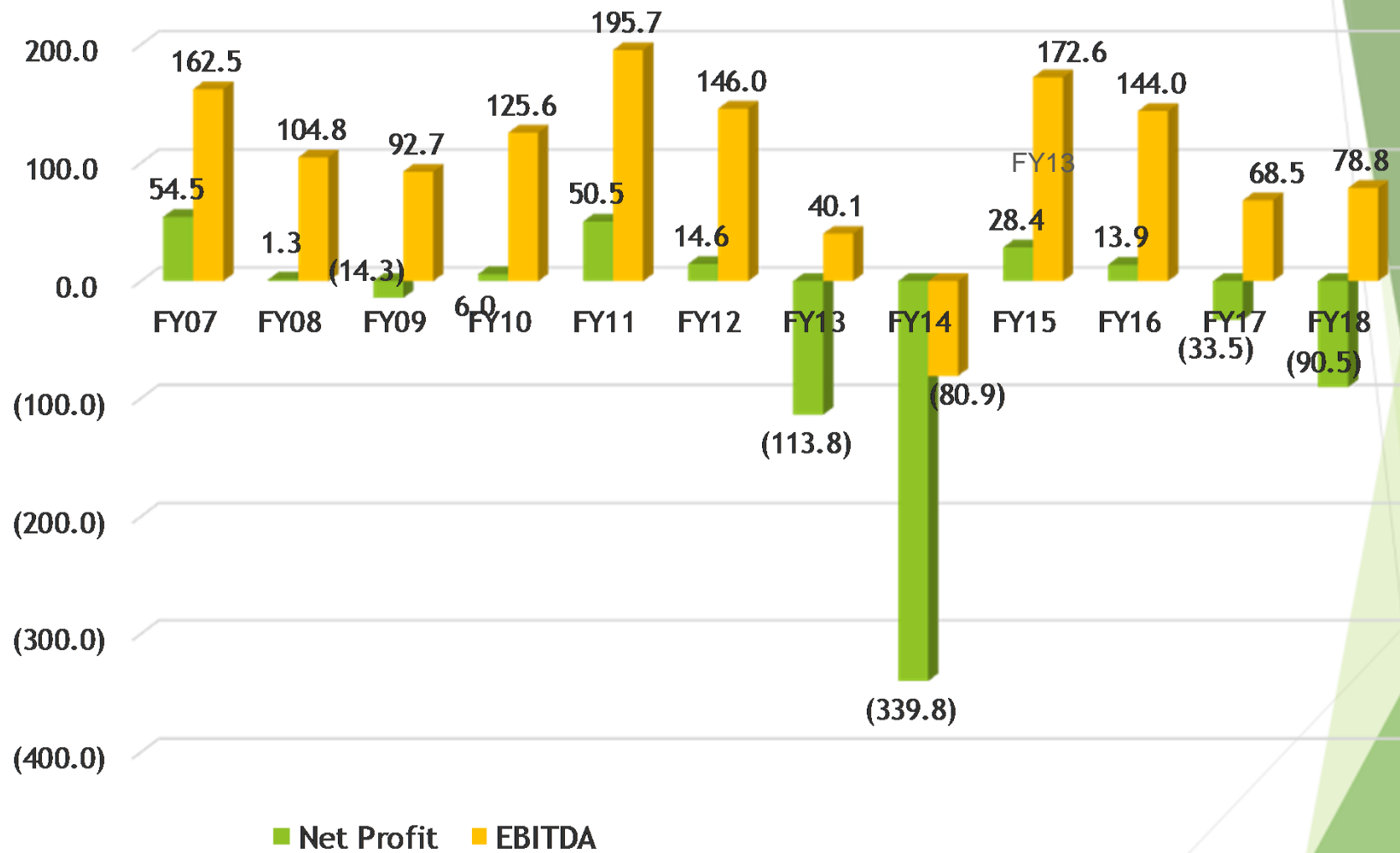
FY17



Total Revenue: RMB 2,038.3 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end FY18	As at end FY17	Chg (%)
Current Assets	626.7	602.3	4.1
- Cash & Cash Equivalents	163.7	190.3	(14.0)
- Inventories	235.0	188.4	24.7
- Trade and Other Receivables	228.0	223.0	2.2
Total Assets	1,217.5	1,288.5	(5.5)
Current Liabilities	602.2	568.1	6.0
- Trade and Other Payables	400.7	341.0	17.5
- Short Term Borrowings	192.7	220.0	(12.4)
Long Term Borrowings	577.4	587.0	(1.6)
Total Liabilities	1,212.7	1,193.1	1.6

Balance Sheet Highlights

RMB'mil	As at end FY18	As at end FY17	Chg (%)
Inventory Turnover Days	39	36	8.3
Receivables Turnover Days	29	32	(9.4)
Payables Turnover Days	50	48	4.2
Debt to Equity Ratio [#]	159.3	8.46	1,783.0
Price to Book Value [*]	6.8	0.62	996.8

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

^{*} *Based on share price of RMB 0.055 as at December 31, 2018*

Cash Flow Statement Highlights

RMB'mil	FY18	FY17	Chg (%)
Net Cash Generated from Operating Activities	78.9	142.0	(44.4)
Net Cash (Used in) Investing Activities	(24.7)	(32.0)	(22.8)
Net Cash (Used in) Financing Activities	(59.9)	(172.3)	(65.2)
Net (Decrease) in Cash & Bank Balances	(5.7)	(62.2)	(90.8)
Cash & Bank Balances at Beginning of Period	93.0	155.2	(40.1)
Cash & Bank Balances at End of Period	87.3	93.0	(6.1)

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 including stop production of Sichuan plant for at least a year and attrition of excess manpower across the Group.**
- ❖ **Continue to find ways to upgrade production lines to achieve higher production efficiency so as to improve on production capacity vis-à-vis production cost.**
- ❖ **Defer capital investment where necessary to conserve cash due to the uncertainty of the global and domestic markets**

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