



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story

**Corporate Presentation
and 3QFY19 Results**

13 November, 2019



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Business Overview



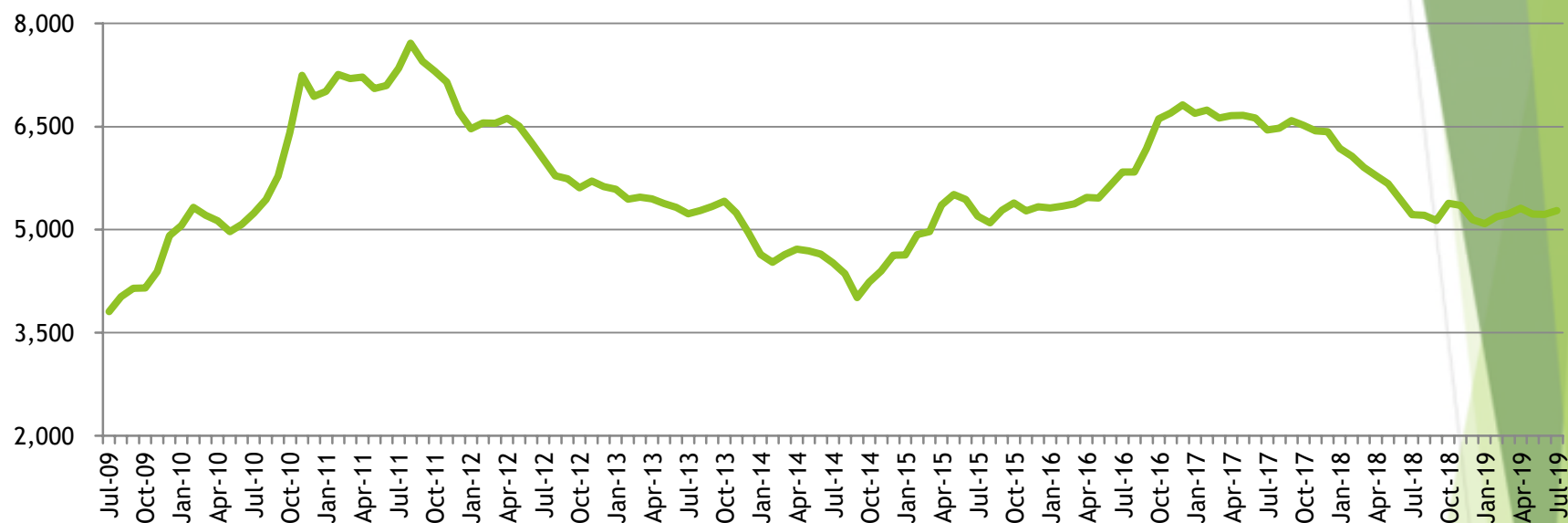
Operating Climate

- China economy has been slowing down rather significantly, affected by the weakening of the domestic economy and the external trade tensions with the United States and overall global slowdown.
- The Group continues to face with poor domestic demand of its products, coupled with the increase in the average raw corn material prices, the Group's revenue and gross profit margin have been affected.
- The Group has resumed the production of its Liaoning plant since early Nov 2019 because of recent favorable local market conditions.
- Due to the uncertainty of the market, the Group is of the opinion that it will continue to face with challenging conditions moving forward.

Price Comparisons to Cane Sugar

RMB/tonnes

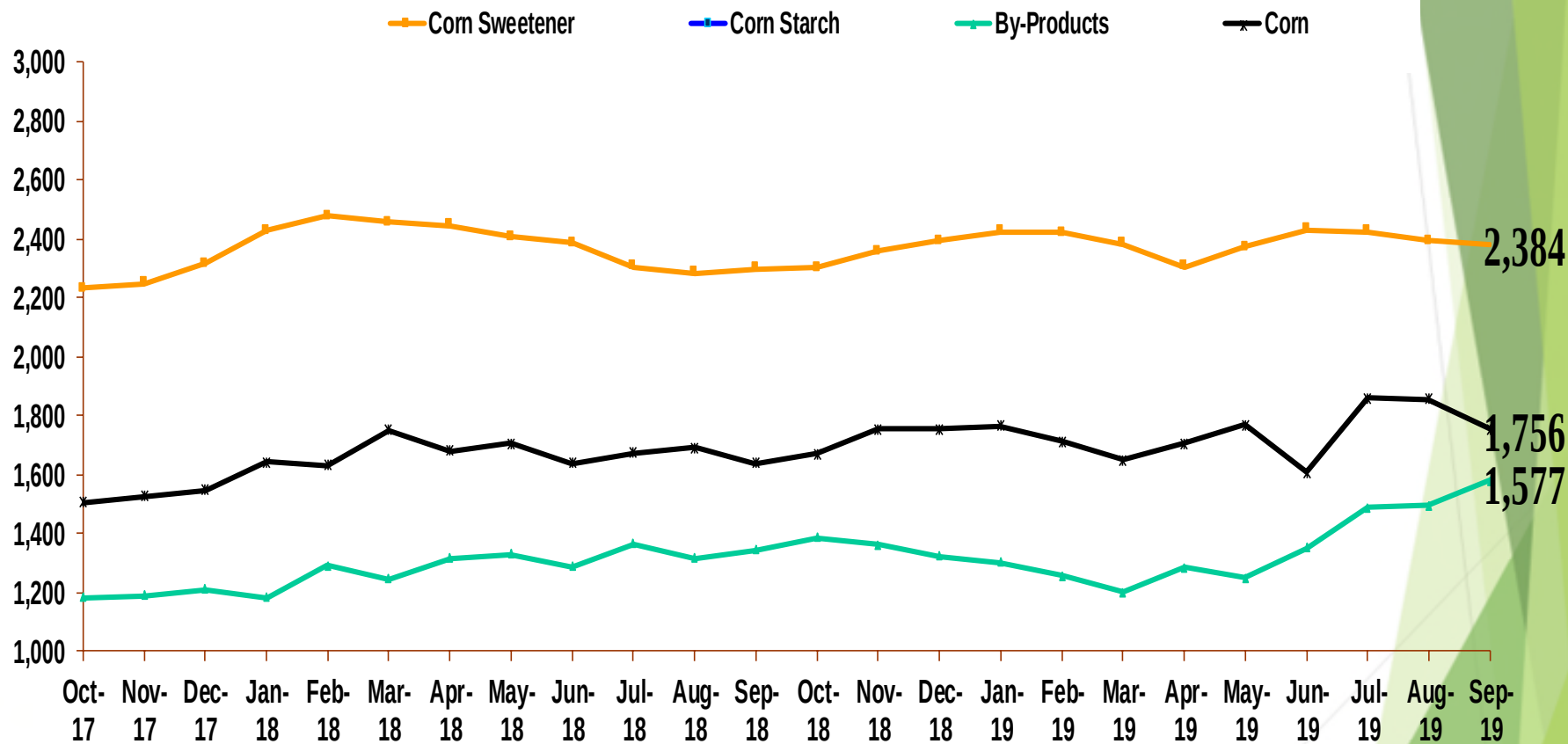
Cane sugar pricing in Nanning City, China



- 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 September 2019) are as follows:
 - Fructose: RMB 2,601 /tonne
 - Dextrose: RMB 2,359/tonne
 - High Maltose Syrup: RMB 2,228/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



9MFY19 Financial Highlights

- **Group revenue decreased by 10.7% y-o-y**
- **Gross profit margin of 7.5%, 23.5% lower y-o-y;**
- **Net loss of RMB 68.6 million, decreased by 241.6% compared with net loss of RMB 20.1 million in 9MFY18**
- **Net loss margin of 4.6%, increased by 283.3% compared with net loss margin of 1.2% in 9MFY18**
- **Cash and cash equivalents of RMB 129.1 million as at 30 September, 2019 (RMB 163.7 million as at 31 December, 2018)**

Income Statement Highlights

RMB'mil	3QFY19	3QFY18	y-o-y Chg (%)	9MFY19	9MFY18	y-o-y Chg (%)
Revenue	489.4	600.3	(18.5)	1,484.0	1,662.4	(10.7)
Gross Profit	41.0	49.5	(17.3)	111.7	163.2	(31.5)
(Loss) Before Tax	(11.8)	(11.9)	(0.7)	(60.4)	(17.3)	248.8
Net (Loss)	(12.5)	(12.6)	(0.8)	(68.6)	(20.1)	241.6
Gross Profit Margin	8.4%	8.2%	2.4	7.5%	9.8%	(23.5)
Net (Loss) Margin	(2.5%)	(2.1%)	19.0	(4.6%)	(1.2%)	283.3

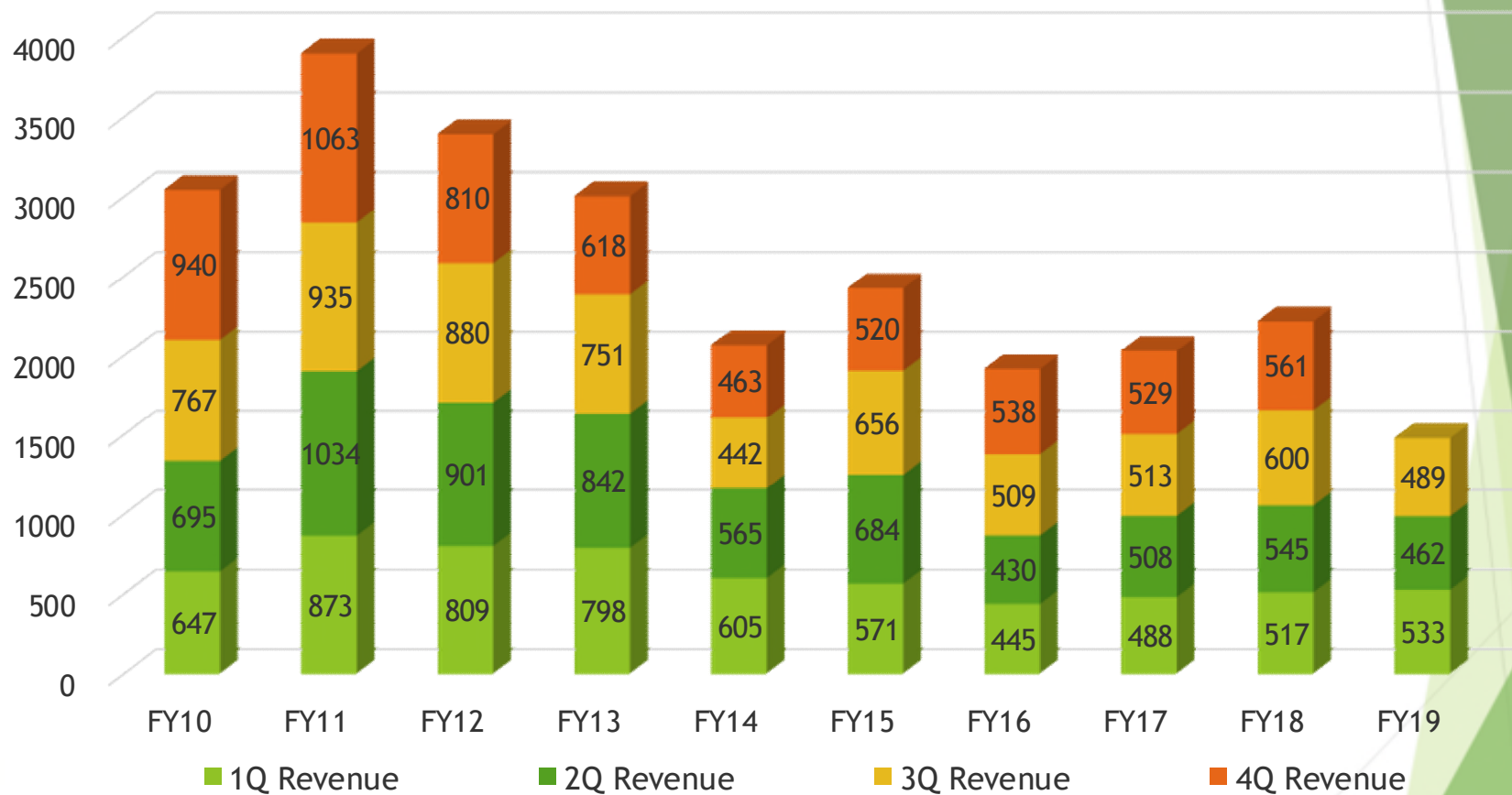
3Q: Three months ended September 30

9M: Nine months ended September 30

FY: Twelve months ended December 31

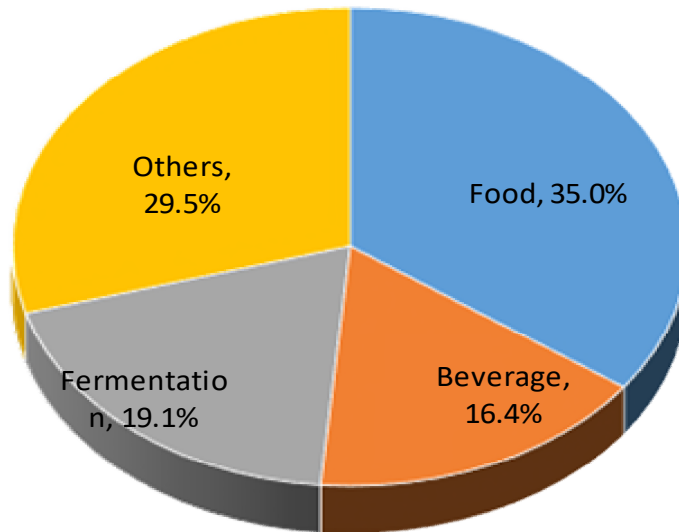
Revenue

RMB'mil



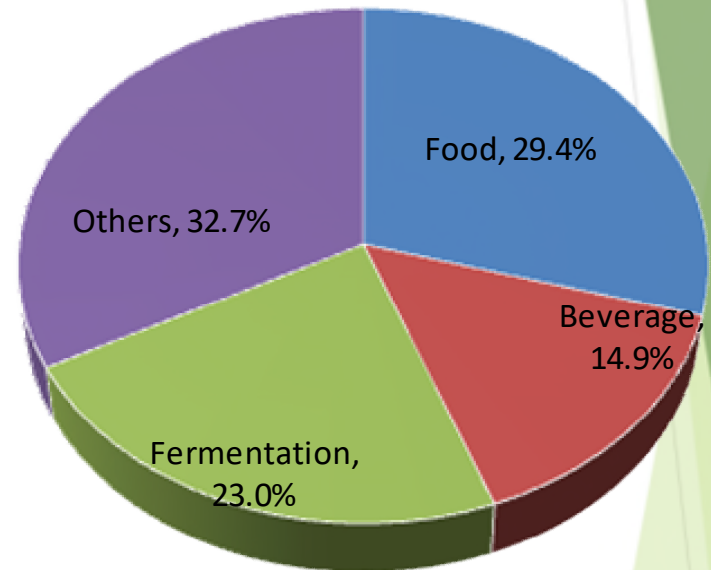
Revenue by Industry

9MFY19



Total Revenue: RMB 1,484.0 mil

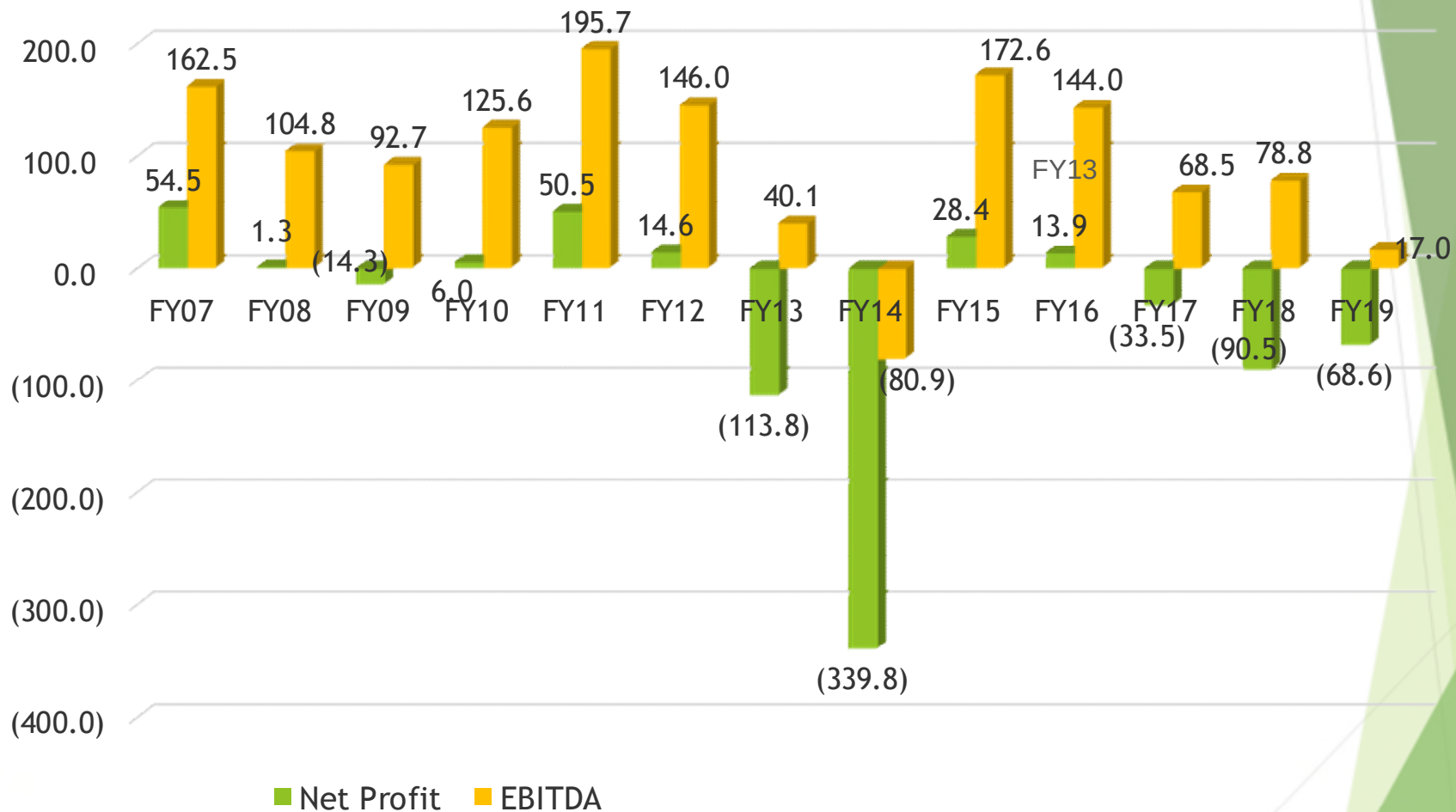
9MFY18



Total Revenue: RMB 1,662.4 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 9MFY19	As at end FY18	Chg (%)
Current Assets	461.4	626.7	(26.4)
- Cash & Cash Equivalents	129.1	163.7	(21.1)
- Inventories	128.2	235.0	(45.4)
- Trade and Other Receivables	204.1	228.0	(10.5)
Total Assets	1,013.4	1,217.5	(16.8)
Current Liabilities	528.6	602.2	(12.2)
- Trade and Other Payables	306.7	400.7	(23.5)
- Short Term Borrowings	211.1	192.7	9.5
Long Term Borrowings	519.2	577.4	(10.1)
Total Liabilities	1,077.1	1,212.7	(11.2)

Balance Sheet Highlights

RMB'mil	As at end 9MFY19	As at end FY18	Chg (%)
Inventory Turnover Days	36	39	(7.7)
Receivables Turnover Days	31	29	6.9
Payables Turnover Days	53	50	6.0
Debt to Equity Ratio [#]	(11.5)	159.3	(107.2)
Price to Book Value*	(0.3)	6.8	(104.4)

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

* *Based on share price of RMB 0.031 as at September 24, 2019*

Cash Flow Statement Highlights

RMB'mil	9MFY19	9MFY18	Chg (%)
Net Cash Generated from Operating Activities	43.6	86.5	(49.6)
Net Cash (Used in) Investing Activities	(6.7)	(13.5)	(50.4)
Net Cash (Used in) Financing Activities	(71.6)	(97.2)	(26.3)
Net (Decrease) in Cash & Bank Balances	(34.7)	(24.2)	43.4
Cash at Bank Balances at Beginning of Period	87.3	93.0	(6.1)
Cash at Bank Balances at End of Period	52.7	68.7	(23.3)

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.**
- **Continue with cost savings effort with the suspension of unprofitable products.**
- **Resume production when the local market condition is favorable so as to ride on the uptrend in consumption demand and capture the market shares to improve the Group's revenue and profit margin.**
- **Defer capital investment where necessary to conserve cash due to the uncertainty of the global and domestic markets.**

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