



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
3QFY18 Results**

November 13, 2018

Contents

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

Business Overview



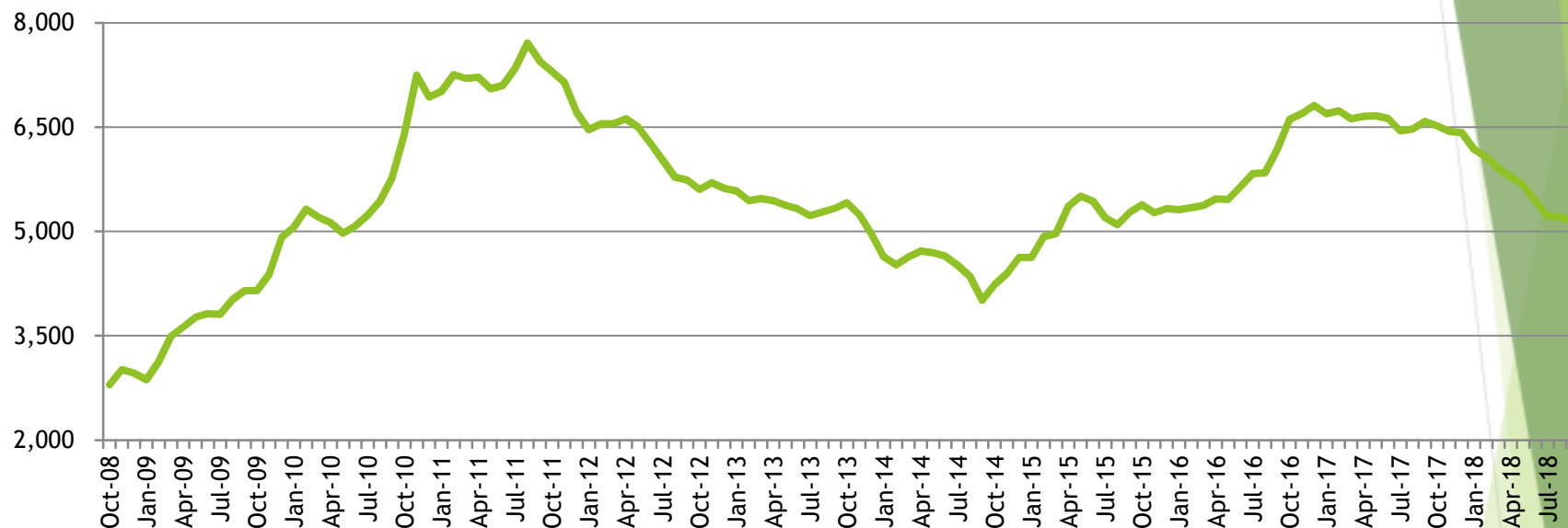
Operating Climate

- **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 to remain relatively stable in terms of the average raw corn material prices. However, the Group expects its selling prices to face some downward pressure due to the lowering of cane sugar prices.**
- **The uncertainty of the trade dispute between China and the United States is expected to continue and this will affect the demand of its products**

Price Comparisons to Cane Sugar

RMB/tonnes

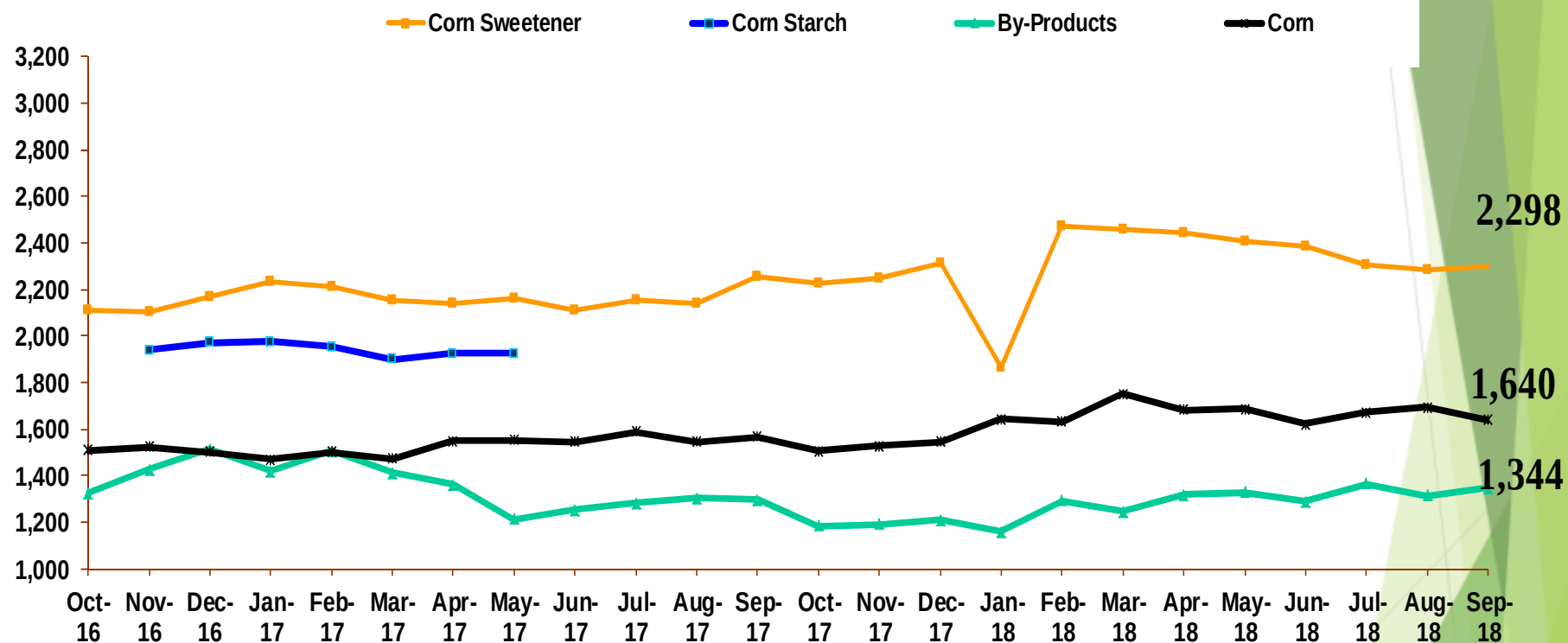
Cane sugar pricing in Nanning City, China



- 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 2018) are as follows:
 - Fructose: RMB 2,545/tonne
 - Dextrose: RMB 2,295/tonne
 - High Maltose Syrup: RMB 2,146/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



9MFY18 Financial Highlights

- 💡 **Group revenue increased by 10.1% y-o-y**
- 💡 **Gross profit margin of 9.8%, 2.1% higher y-o-y;**
- 💡 **Net loss of RMB 20.1 million, decreased by 2,570.4% compared with net profit of RMB 0.8 million in 9MFY17**
- 💡 **Net loss margin of 1.2%, decreased by 1,300.0% compared with net profit margin of 0.1% in 9MFY17**
- 💡 **Cash and cash equivalents of RMB 135.1 million as at 30 September, 2018 (RMB 190.3 million as at 31 December, 2017)**

Income Statement Highlights

RMB'mil	3QFY18	3QFY17	y-o-y Chg (%)	9MFY18	9MFY17	y-o-y Chg (%)
Revenue	600.3	513.3	16.9	1,662.4	1,509.4	10.1
Gross Profit	49.5	36.5	35.5	163.2	144.4	13.0
(Loss)/Profit Before Tax	(11.9)	(34.5)	65.6	(17.3)	1.4	(1,359.0)
Net (Loss)/Profit	(12.6)	(34.5)	63.6	(20.1)	0.8	(2,570.4)
Gross Profit Margin	8.2%	7.1%	15.5	9.8%	9.6%	2.1
Net (Loss)/Profit Margin	(2.1%)	(6.7%)	68.7	(1.2%)	0.1%	(1,300.0)

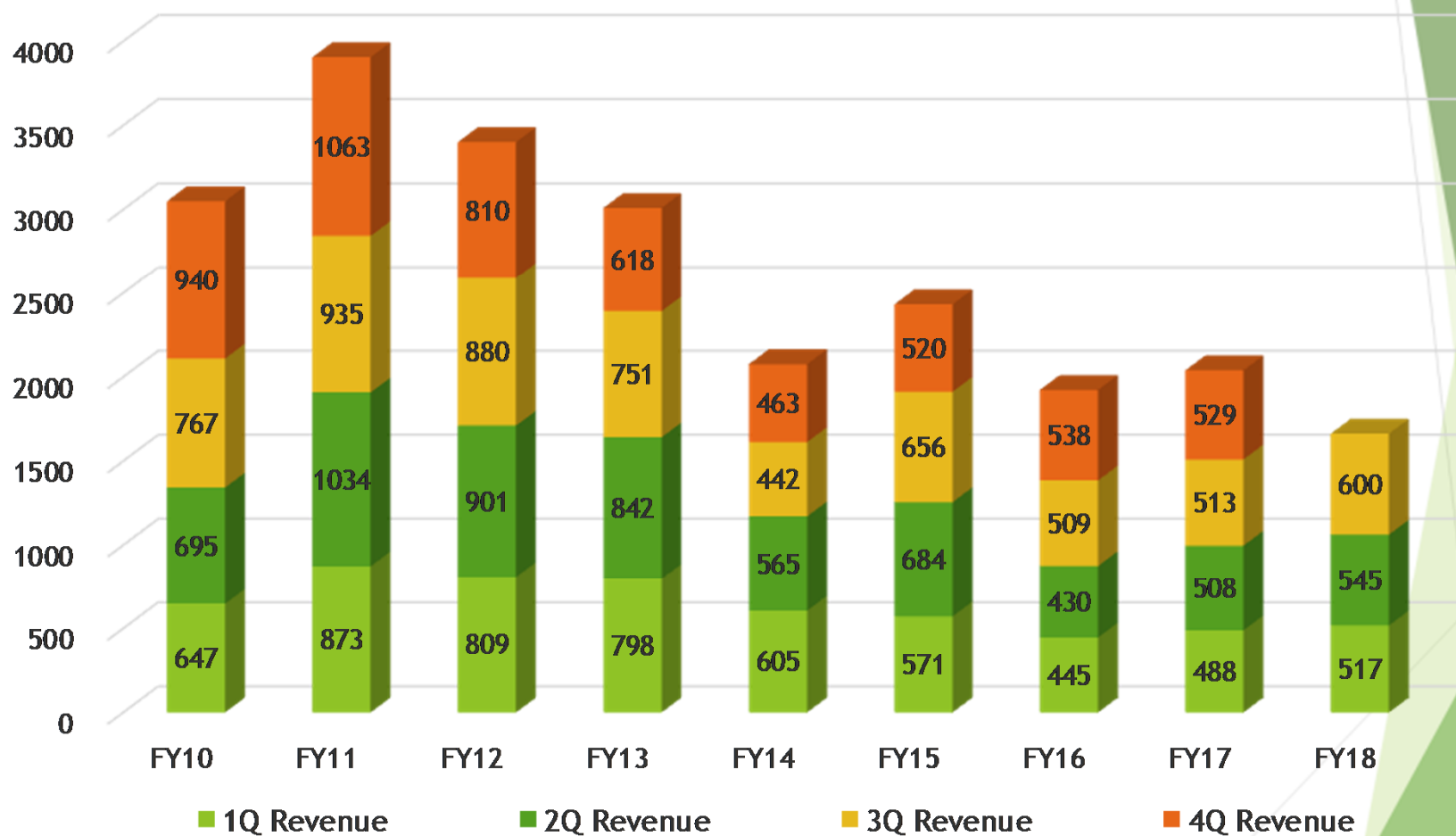
3Q: Three months ended September 30

9M: Nine months ended September 30

FY: Twelve months ended December 31

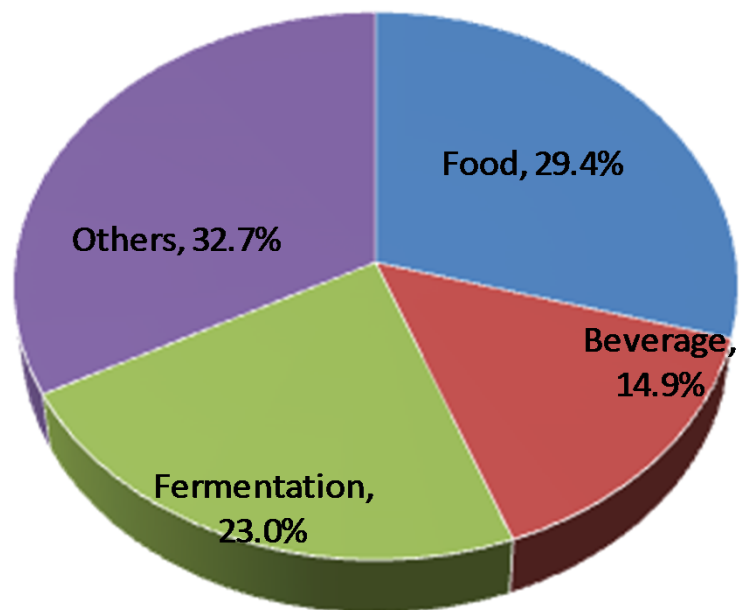
Revenue

RMB'mil



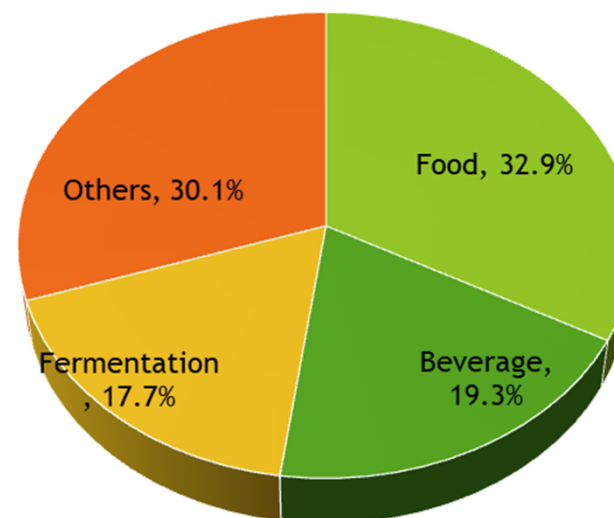
Revenue by Industry

9MFY18



Total Revenue: RMB 1,662.4 mil

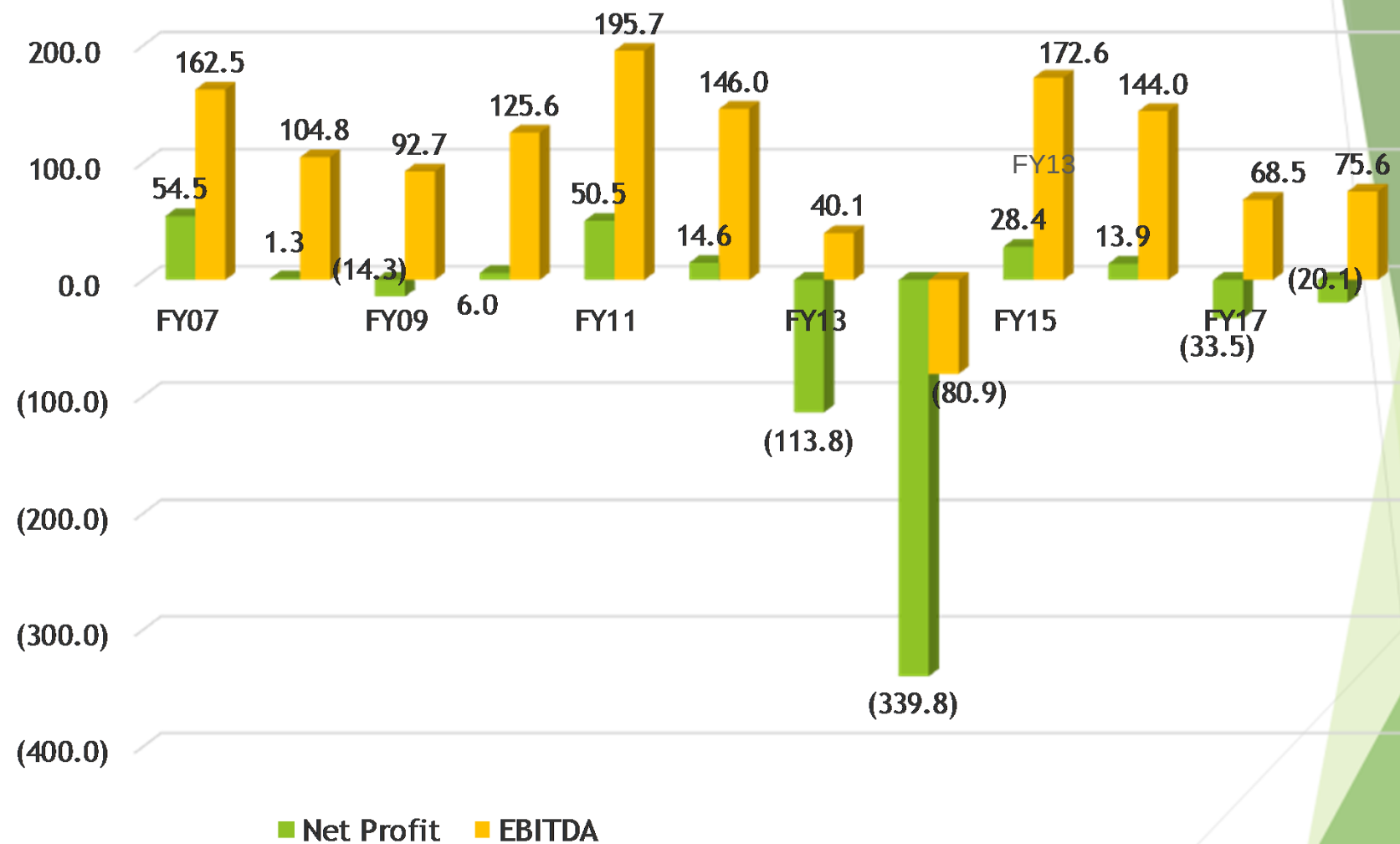
9MFY17



Total Revenue: RMB 1,509.4 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 9MFY18	As at end FY17	Chg (%)
Current Assets	559.5	602.3	(7.1)
- Cash & Cash Equivalents	135.1	190.3	(29.0)
- Inventories	170.5	188.4	(9.5)
- Trade and Other Receivables	253.8	223.0	13.8
Total Assets	1,200.6	1,288.5	(6.8)
Current Liabilities	551.1	568.1	(3.0)
- Trade and Other Payables	370.5	341.0	8.7
- Short Term Borrowings	172.7	220.0	(21.5)
Long Term Borrowings	539.9	587.0	(8.0)
Total Liabilities	1,125.3	1,193.1	(5.7)

Balance Sheet Highlights

RMB'mil	As at end 9MFY18	As at end FY17	Chg (%)
Inventory Turnover Days	33	36	(8.3)
Receivables Turnover Days	31	32	(3.1)
Payables Turnover Days	48	48	Nil
Debt to Equity Ratio [#]	9.47	8.46	119.4
Price to Book Value [*]	0.63	0.62	1.6

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

^{*} *Based on share price of RMB 0.08 as at October 23, 2018*

Cash Flow Statement Highlights

RMB'mil	9MFY18	9MFY17	Chg (%)
Net Cash Generated from Operating Activities	86.5	126.9	(31.8)
Net Cash (Used in) Investing Activities	(13.5)	(25.2)	(46.4)
Net Cash (Used in) Financing Activities	(97.2)	(118.8)	(18.2)
Net (Decrease) in Cash & Bank Balances	(24.2)	(17.0)	42.4
Cash & Bank Balances at Beginning of Period	93.0	155.2	(40.1)
Cash & Bank Balances at End of Period	68.7	138.2	(50.3)

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.**
- 🍯 **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**
- 🍯 **Defer capital investment where necessary to conserve cash due to the uncertainty of the global and domestic markets**

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