



**葡萄王生技**

# Investor Presentation

*March 2019*

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# “ Why Invest in Us? ”

- We are a leading health food manufacturer in Taiwan with product development strength focusing on probiotics and herbal-based supplements.
- We are one of the few companies in Taiwan that possess the capability to produce our own raw materials, manufacture our product and distribute through our own brands and channels.
- We have been gaining market share in Taiwan’s health food industry and we are also the industry leader in both probiotics and mushroom-based supplements.
- We also operate the second largest direct-selling company in Taiwan – Pro-Partner – with a 2016 market share of 9.8%.
- We have delivered a solid earnings CAGR of 23% in 2008-2018 averaging a 21% ROE during the same period.
- We are committed to return our earnings back to our shareholders, we have maintained more than 60% dividend payout in the past five years.
- We strive to maintain a double digit growth rate through continuous market share gain by Pro-Partner and growth in our OEM/ODM businesses in China and overseas markets.





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# Company Background

# “ Company Milestones

- **2008** - Pro-Partner's revenue reached NT\$1.6bn, surpassed Grape King for first time and ranked No.8 among Taiwan direct selling companies.
- **2011** - Grape King's Bioengineering Center Plant 3 was completed. Total fermentation capacity increased to 275 tons.
- **2013** - Pro-Partner reached NT\$5bn sales, +28% YoY, ranked No.3 among direct selling companies in Taiwan and No.66 in global direct selling company ranking.
- **2015** - Pro Partner's revenue reached NT\$6.7bn, ranked as No. 2 among direct selling companies in Taiwan.
- **2015** - Grape King is selected as Forbes "Asia's 200 Best Under A Billion" for two consecutive years.
- **2017** – Grape King's products have obtained 10 patents and won 20 international awards from 7 countries.
- **2017** – Grape King's first tourist factory opened in July.

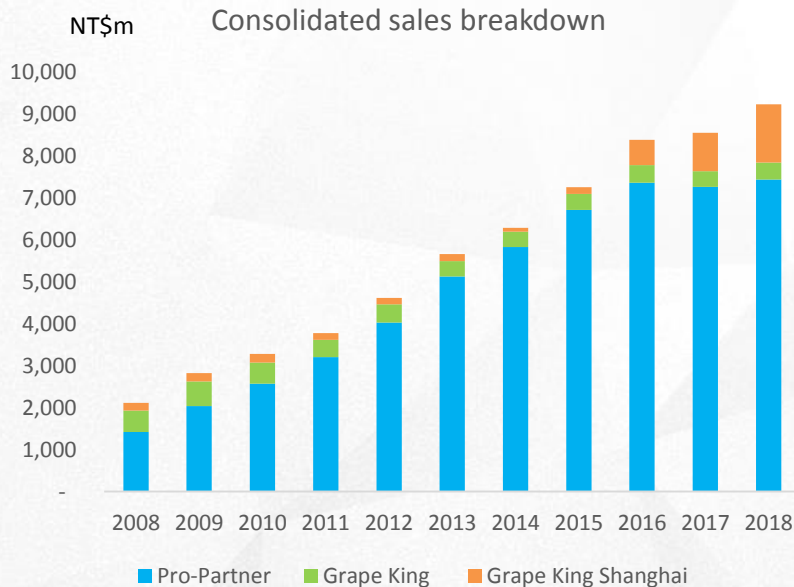
2017

1971-1997 > 2008 > 2009 > 2011 > 2012 > 2013 > 2014 > 2015 > 2016 >

- **1971** - Grape King Co. Ltd. was founded.
- **1982** - Listed on Taiwan Stock Exchange.
- **1991** - Establishment of the Bio Engineering Center.
- **1993** - Pro-Partner was established.
- **1997** - Shanghai Grape King was established.
- **2009** - Pro-Partner's revenue reached NT\$2.2bn and ranked No.6 among direct selling companies in Taiwan.
- **2012** – Pro- Partner's revenue reached NT\$4.2bn, ranked No.4 among direct selling companies in Taiwan and No.83 on DSN Global 100 list.
- **2014** – Dr. Andrew Tseng succeeded his father to become the CEO and Chairman of Grape King.
- **2014** - Pro-Partner's revenue reached NT\$ 5.8bn, ranked no.2 direct selling company in Taiwan. **2014** - Grape King formed a partnership with Yunnan Baiyao Group (000538 CH), the largest TCM company China to co-develop products.
- **2014** - Grape King is selected as Forbes "Asia's 200 Best Under A Billion."
- **2016** - Pro Partner's revenue reached NT\$8.2bn (+22% YoY), and has remained as the largest domestic direct selling company in Taiwan since 2009.
- **2016** - Grape King's new plant at Pingzhen started operation in September.
- **2016** - Grape King is the only company in Taiwan to be selected as "Asia's Fastest 50 Bioscience Companies in Asia" by BioSpectrum magazine.

# “ Company Overview

- Our Group is composed of three business units:
  - **Grape King Taiwan** (retail sales channel, OEM/ODM business)
  - **Pro-Partner** (direct selling channel)
  - **Grape King Shanghai** (OEM/ODM business)
- Since 2008, Pro-Partner has experienced an explosive growth thanks to robust member growth and successful product launches.
- However, Grape King is the locus of all key ingredient design, formulation, and production for the whole Group.



# “ We have a Complete Product Range ”



# “ R&D Backed by Patents and Papers ”

We have acquired more than **52 patents** and published over **20 research papers**

We have also acquired more than 10 TFDA Health Food certifications on our products

Recent Acquired Patent	Country	Number	Approval Date
An Active Substance <b>for Treating Dementia</b> , Its Preparation Method, Pharmaceutical Compound and Preparation Method	R.O.C.	I605819	2017/11/21
The Active Substance of Cicada for <b>Promoting Hepatocyte Proliferation</b>	R.O.C.	I601824	2017/10/11
Particles with Lactobacillus Embedded by Mycelium of Hericium Erinaceus which Can <b>Improve the Nerve Growth</b> - Factor	China	ZL201620459984.4	2017/6/6
The Active Substance of Antrodia Camphorate Mycelium for <b>Protecting Nerve Cells</b> , and Its Pharmaceutical Compounds	R.O.C.	I562782	2016/12/21
An Active Substance of Antrodia Camphorate for <b>Reducing Drug Resistance of Cancer Cells</b> and Its Compounds	R.O.C.	I551291	2016/10/1

Paper	Journal
Efficacy and safety of oral Antrodia cinnamomea mycelium in mildly hypertensive adults: A randomized controlled pilot clinical study.	European Journal of Integrative Medicine.2016
A 90-Day subchronic toxicological assessment of deinococcus grandis fermented soymilk in Sprague-dawley rats.	International Journal of Pharmacy and Pharmaceutical Sciences.2016. 8(6): 207-215
A 90-Day Subchronic Toxicity Study of Submerged Mycelial Culture of Cordyceps cicadae(Ascomycetes) in Rats.	International Journal of Medicinal Mushrooms. 2015. 17(8): 771-781
Toxicological evaluation of lepista nuda(BULL. EX FR.) cooke mycelium produced by an in vitro culture methodology.	International Journal of Pharmacy and Pharmaceutical Sciences.2015.7(10): 363-370
Evaluation of the toxicological safety of erinacine A-enriched Hericium erinaceus in a 28-day oral feeding study in Sprague-Dawley rats.	Food and Chemical Toxicology. 2014.70:61-67





# “ State-of-the-Art Research & Production

## Grape King Bio-Tech Research Institute



Optical microscope



High Performance Liquid Chromatography



Centrifuge



PCR Machine



Shaker

## Grape King Bio-Tech Specialist Fermentation, Cultivation and Manufacturing



500 Liters Fermentor



50 Tons Fermentor



High Speed Mixer



Centrifugal Separator



Membrane Filtration System



150 Liters Freeze-Dryer



Capsule Packaging Line



Sachet Packaging Line

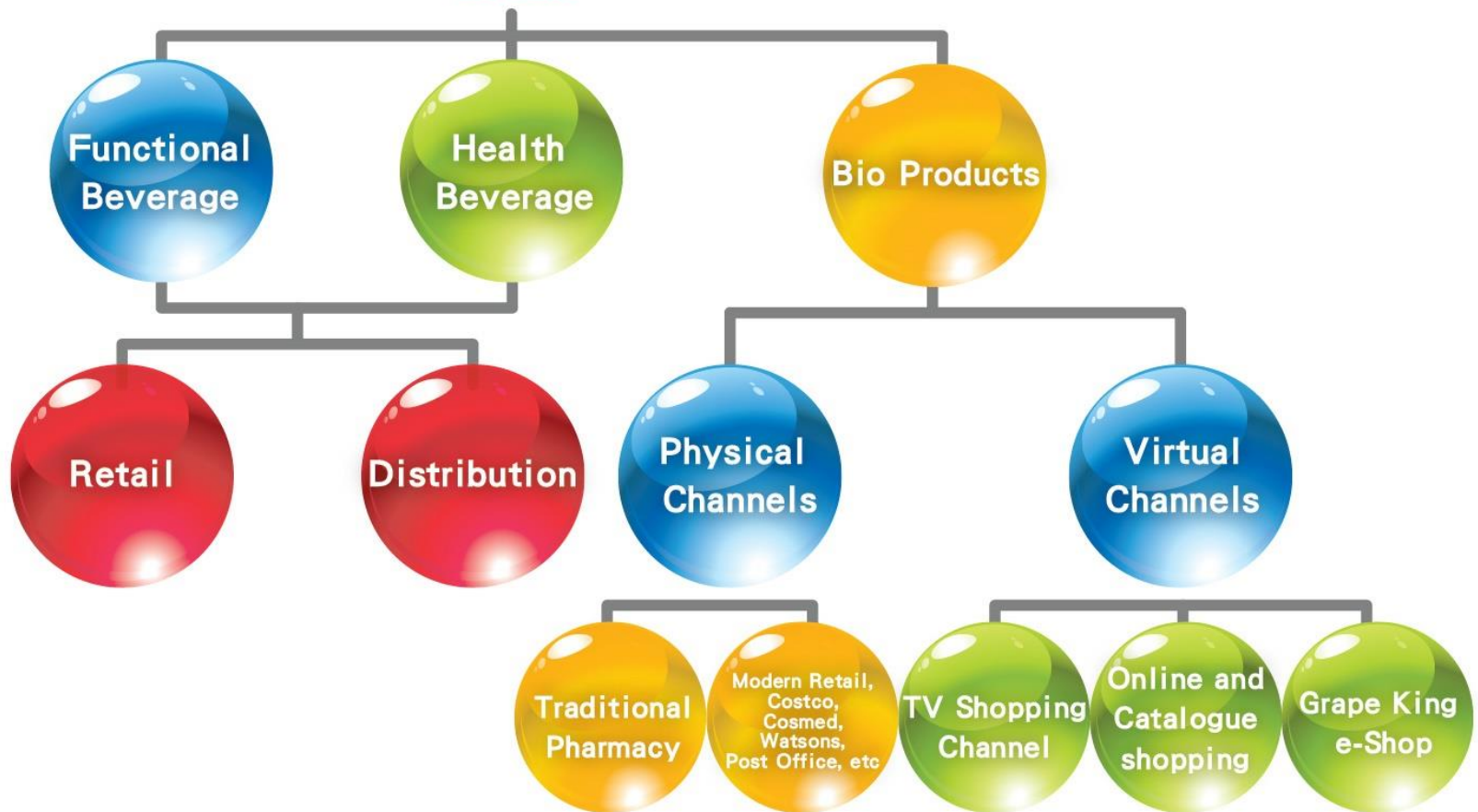


Glass Bottle Packaging Line



PKL Aseptic Packaging Line

# “ Grape King Brand Sales Channels



# “ Grape King Diverse Product Portfolio

## ComeBest Series/Golden ComeBest/PowerBOMB

Energy drinks that restore energy and provides necessary vitamins



## Snow Brightening Essential Drink

Beauty Drink that enhance metabolism



## Grape King Ling Zhi King

Strengthens the immune system and suppress allergic reactions



## Grape King Antrodia King

Liver protection and hangover prevention and alleviation



## Grape King Probiotics

Improves digestion and defecation



## Yo-Shi Premium Lutein

Eye protection



## Grape King “Sugar Safe” Roseroot pills

Balancing blood sugar

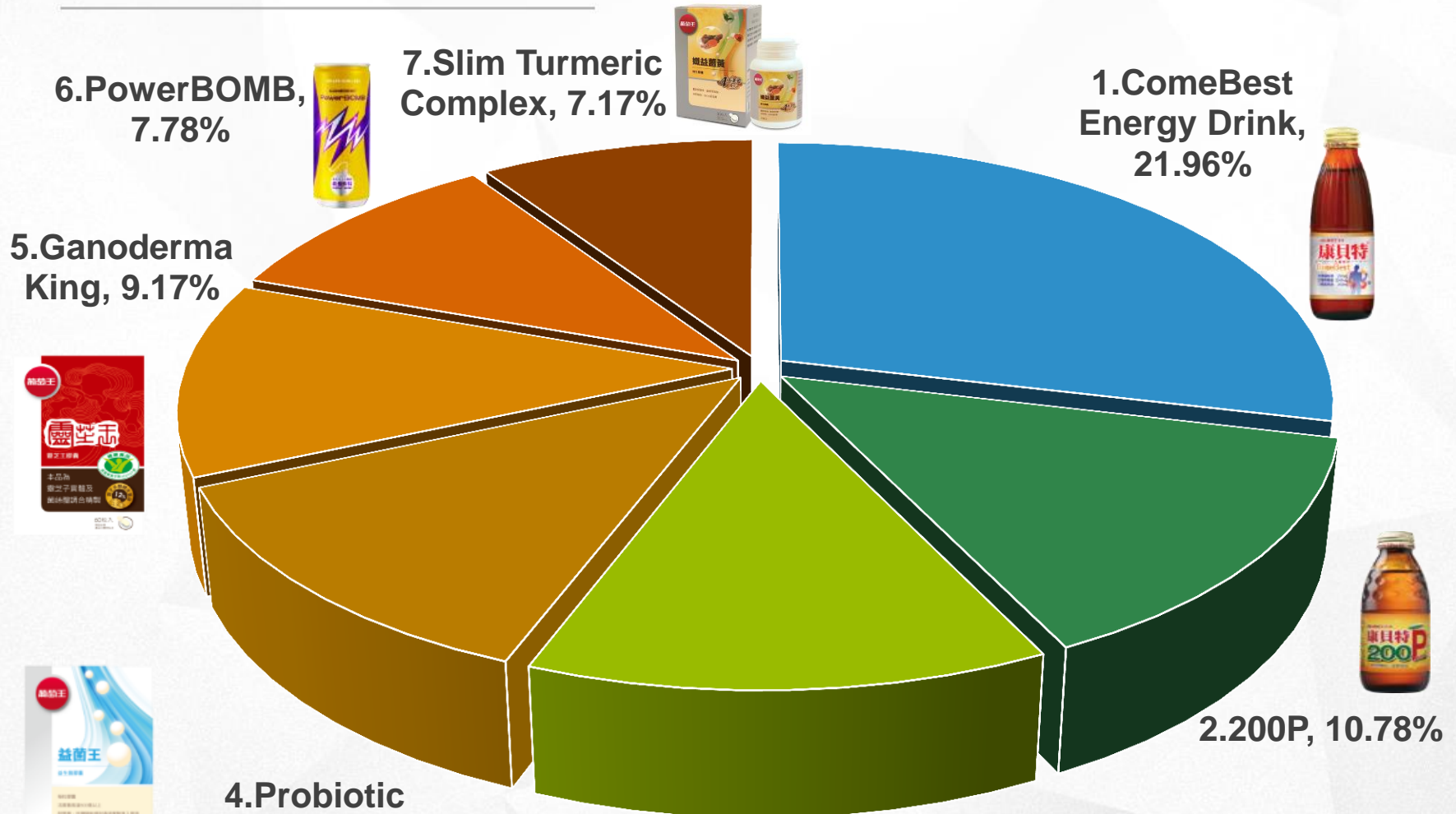


## Grape King Fu Jia Ning

Helps relieve menopause symptoms



# “ Grape King Key Products Sales Breakdown



\*2018 sales breakdown

# “ Pro-Partner Overview

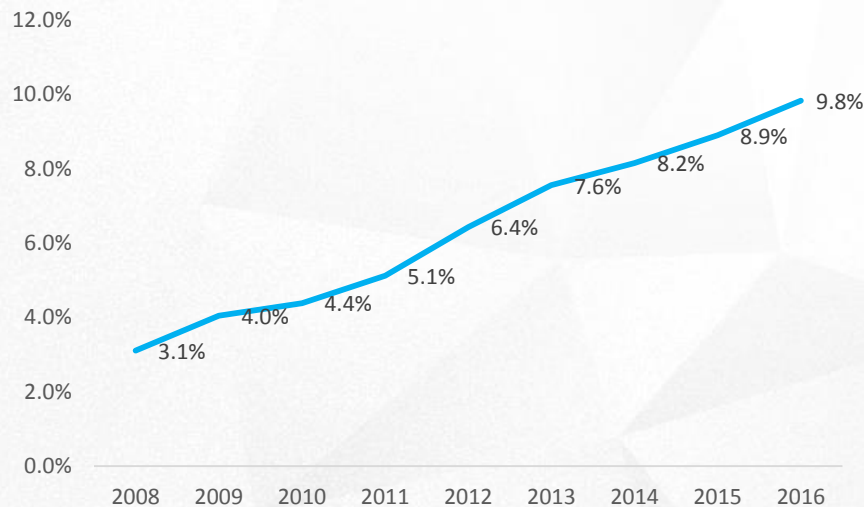
- 1 • Largest domestic direct selling company in Taiwan based on revenue
- 2 • Second largest overall direct selling company (including global companies) in Taiwan
- 30 • Smallest product range – 30 Health and Beauty products among the top 5
- 56 • No. 56 in the worldwide direct selling company rankings for 2016
- 210,000 • Currently have over 210,000 members



# “ Pro-Partner Overview

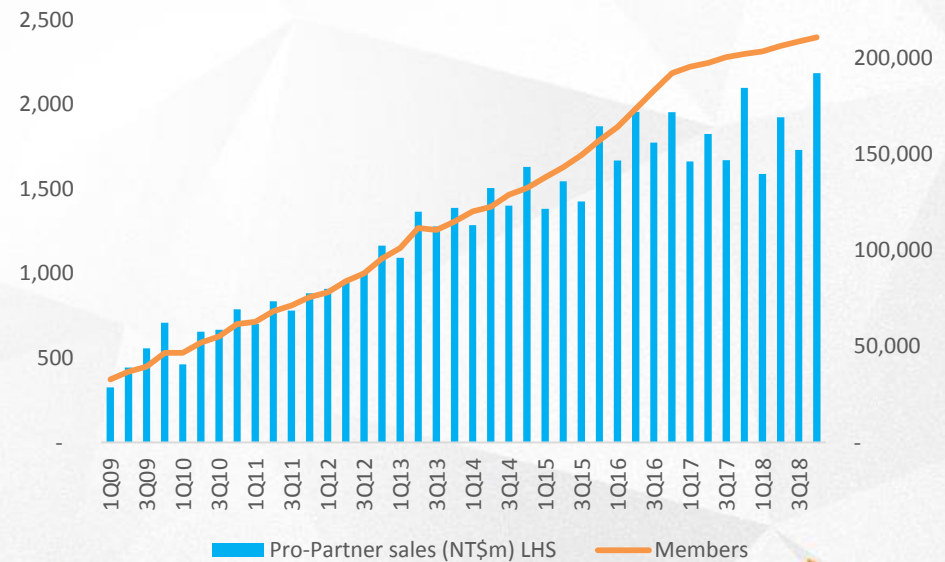
- Established in 1993, Pro-Partner was initially 100% owned by Grape King.
- In 1998, a capital injection was completed by the new management team, with the management team now owning 40% of Pro-Partner.
- To date, Pro-Partner remains one of the fastest growing direct selling companies in Taiwan, having delivered a 21% sales CAGR from 2008 to 2017.
- Pro-Partner products are manufactured using more complicated and high-end formulas vs. Grape King brands, hence the products are also more expensive.

Pro-Partner's market share



Source: FTC, Taiwan Association of Direct Selling, Company data

Pro-Partner sales vs. members #



# Pro-Partner Products - More Complex Formulas

## Probiotics & Prebiotics

Promote healthy digestive system and suppress allergy



## Super 13 Probiotics & Prebiotics

Promote healthy digestive system and suppress allergy



## 995 Bio-tech Nourishment

Post operative convalescence



## Antrodia Bio Aid

Post operative convalescence



## Pro-Partner Meal Supplement

Nutrition supply, restore physical strength



## Lion's Mane Mushroom Powder

Promote brain health and cognitive function



## Bai Ke Sz

Promote healthy respiratory system

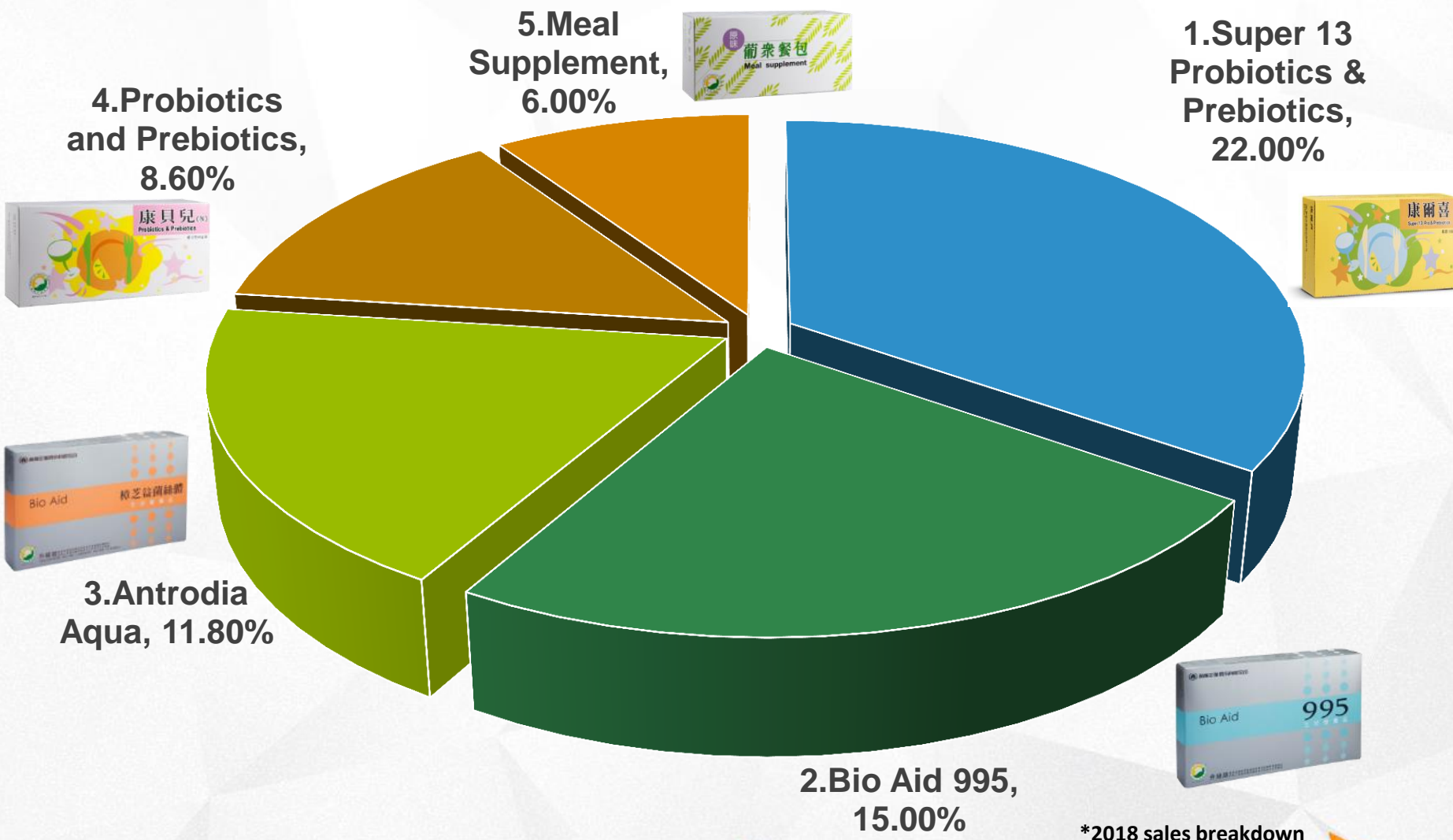


## Wei-Jie

Promote stomach health



# “ Pro-Partner Key Products Sales Breakdown



\*2018 sales breakdown





# How is Pro-Partner different from other direct selling companies?

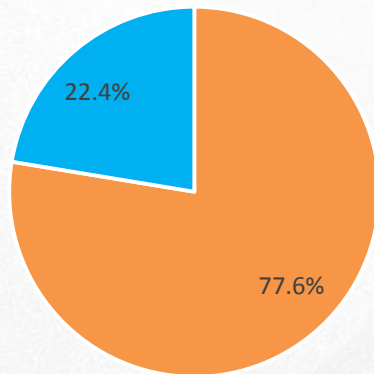
	Traditional Direct Selling Business	Pro-Partner
Products purchase	<ul style="list-style-type: none"> <li>x Minimum purchase requirement.</li> <li>x Initial investment could be significant.</li> <li>x Members may need to bear P&amp;L risk.</li> </ul>	<ul style="list-style-type: none"> <li>✓ No minimum purchase requirement.</li> <li>✓ Members buy products directly from the company, thus, no inventory pressure.</li> </ul>
Products' uniqueness	<ul style="list-style-type: none"> <li>x Low entry barrier for products.</li> <li>x Products lack national certifications.</li> <li>x Production is mostly outsourced.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Products are bio-researched and engineered.</li> <li>✓ Symbol of National Quality (SNQ) and Taiwan FDA health food certified.</li> <li>✓ Products are mostly manufactured in-house.</li> </ul>
Membership/ Training	<ul style="list-style-type: none"> <li>x Members may need to pay training fees.</li> <li>x High drop out rate of members.</li> <li>x Inconsistent training quality.</li> </ul>	<ul style="list-style-type: none"> <li>✓ All the trainings and venues are held by the company and free to members.</li> <li>✓ High retention rate of members.</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>x Opaque compensation structure.</li> <li>x Compensation scores can not be accumulated.</li> <li>x Compensation calculation and eligibility is different among membership status.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Transparent compensation structure.</li> <li>✓ All purchases will be recorded as scores for compensation and will not reset to zero.</li> <li>✓ All compensation are paid accordingly to each member's sales contribution to the company.</li> <li>✓ All compensation are paid directly to the members by the company.</li> </ul>
Support	<ul style="list-style-type: none"> <li>x Lack of dedicated customer services.</li> <li>x Lack of local office support.</li> <li>x Poor return and refund policies.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pro-Partner is supported and managed by Grape King, a well-respected health food company in Taiwan with 48 years of history.</li> </ul>



## How is Pro-Partner different from other direct selling companies?

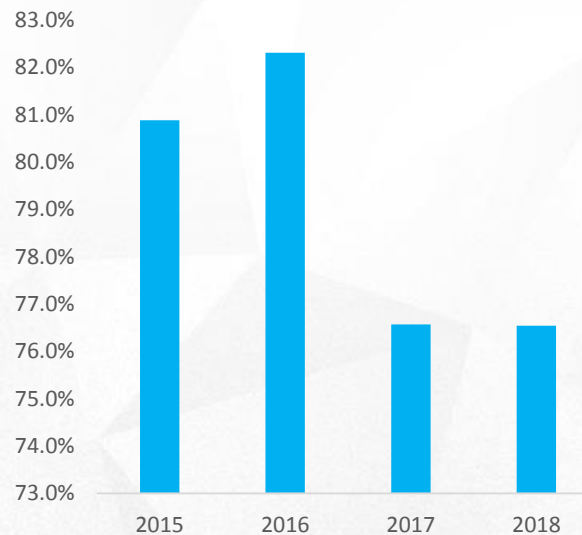
- Nearly 78% of Pro-Partner's sales are contributed by old members.
- Our members retention rate in the past three years are more than 75%, which is a remarkably high number in the direct selling industry.
- The growth rate of our executive distributors are similar to the growth rate of our members in the past five years. This imply that our members are proportionally promoted each year based on their contribution to the group.
- All of these data are proof of that we are a product-driven direct selling company.

Pro-Partner sales contribution (2017)

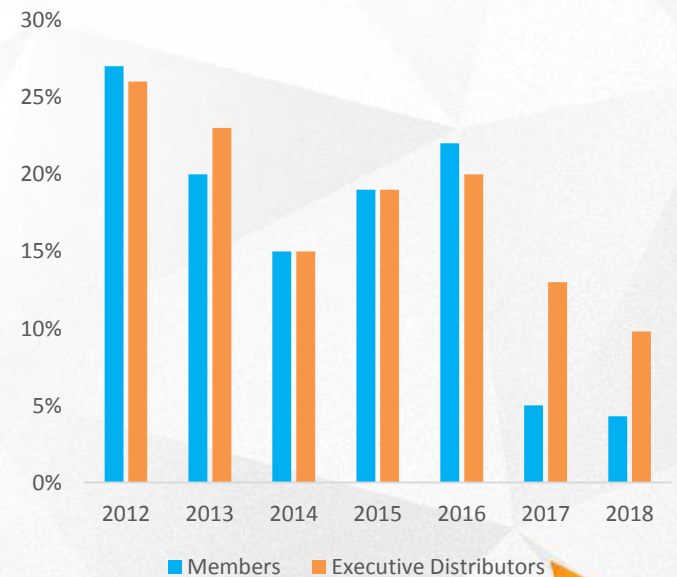


- Sales from existing members (more than 1 year)
- Sales from new members (less than 1 year)

Members retention rate



Pro-Partner members growth rate

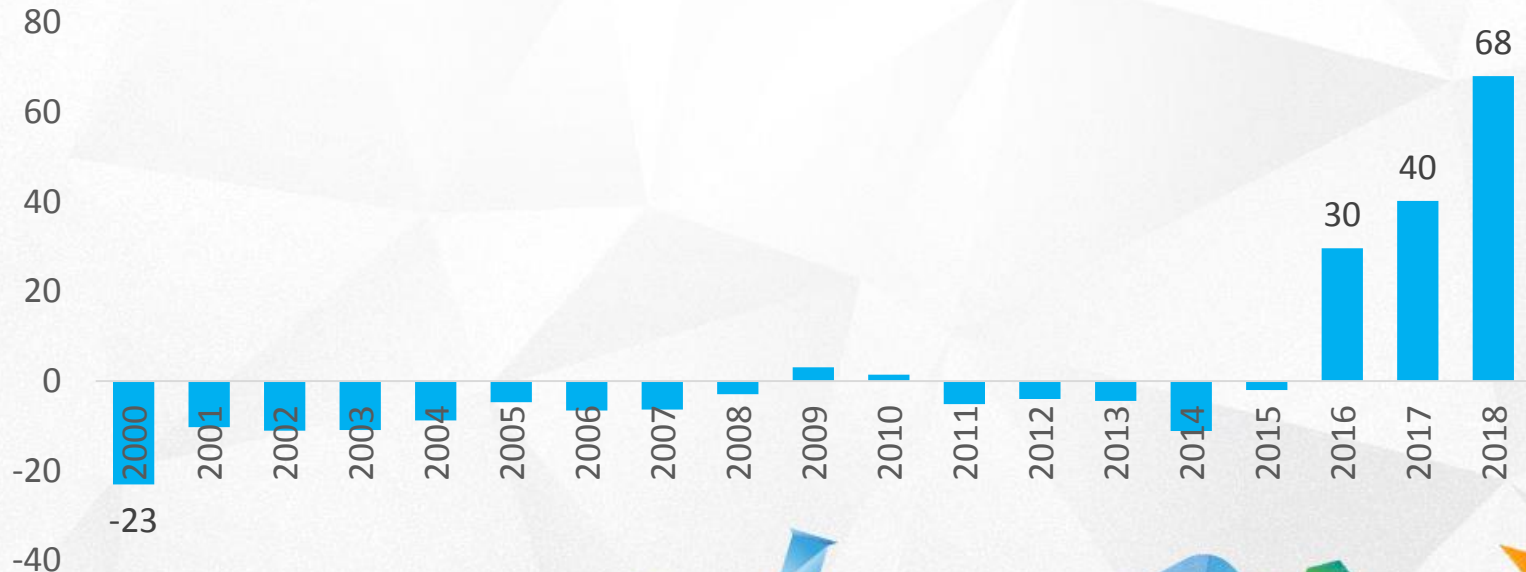


■ Members ■ Executive Distributors

# “ Grape King Shanghai Overview

- Established in 1993, Grape King Shanghai was initially targeted as the production base for Grape King’s own brand products in China.
- However, a change in strategy steered by the new management to an OEM/ODM model has reversed several years of losses and turned the operation profitable.
- The company has five products of its own brand certified by the China FDA with “Blue Hat” registration, a strict requirement for all health foods and supplement. The company is planning on launching these products to the market.

Grape King Shanghai operating profit (Rmb m)



# “ Grape King’s Competitive Strengths



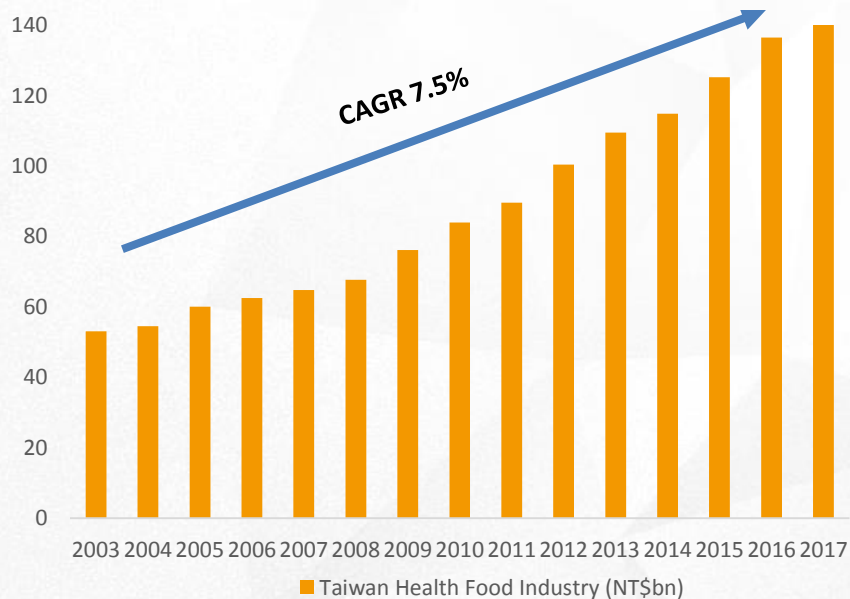


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# Industry Trends

# “ Taiwan Health Food Industry

- Taiwan's health food industry saw a 7.5% CAGR from 2003-2017.
- The industry will continue to be driven by consumers' increasing interest in healthier lifestyles as a cost-effective way to combat ageing and prevent modern illness.
- We have been gaining marketing share in Taiwan's health food industry and we are also the industry leader in both mushroom-based supplements and probiotics.



Source: AC Nielsen

Grape King's market share in Taiwan health food industry					
	2013	2014	2015	2016	2017
Taiwan health food	4.90%	5.19%	5.44%	5.99%	5.78%
Mushroom	32.06%	31.46%	32.33%	36.61%	38.54%
Probiotics	13.89%	20.92%	31.54%	35.78%	39.57%
Energy drink	12.23%	11.70%	13.94%	14.89%	13.71%

Source: AC Nielsen, Company data

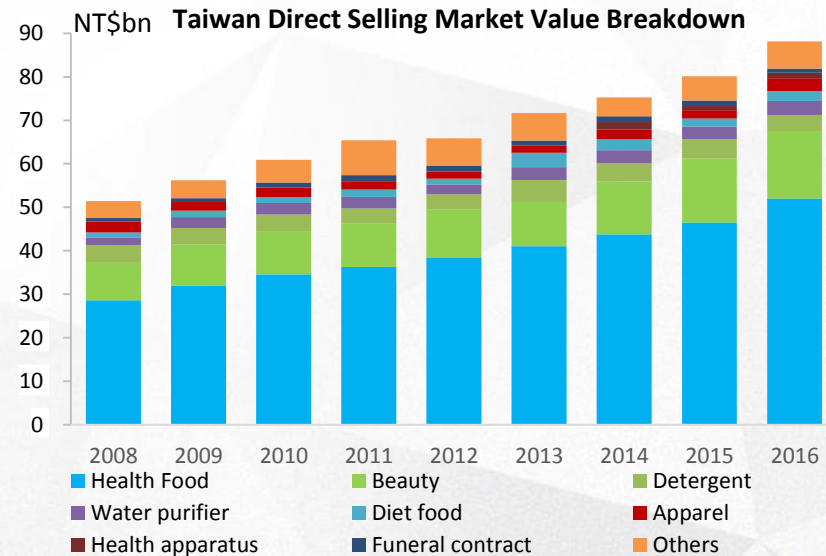


# “ Taiwan Direct Selling Industry

- Taiwan is ranked in the top 15 markets for direct selling globally. The direct selling industry in Taiwan delivered 6% 2010-2016 CAGR, with health food accounting for nearly 60% of the value.
- Direct selling in Taiwan is strictly regulated particularly in 1) product and price (mark-up on pricing); 2) compensation structure (distribution of profit).
- It is illegal in Taiwan to produce earnings by simply introducing new participants instead of engaging in promotion and selling goods or services at reasonable market pricing, and companies in violation of this may be subject to imprisonment and/or fines.

Rank	Country	2015 Retail sales (US\$bn)	3-Year CAGR
1	United States	36.12	4.5%
2	China	35.46	22.0%
3	South Korea	16.89	7.5%
4	Germany	15.19	5.2%
5	Japan	14.66	-0.7%
6	Brazil	9.13	2.1%
7	Mexico	6.93	4.7%
8	France	4.59	2.5%
9	Malaysia	4.44	9.4%
10	United Kingdom	4.04	9.8%
11	Taiwan	3.35	6.6%
12	Italy	2.93	4.7%

Source: World Federation of Direct Selling Association



Source: Taiwan FTC

# “ Taiwan Direct Selling Industry

- While Taiwan’s direct selling industry delivered a 6% CAGR during 2010-2016, Pro-Partner delivered a 22% CAGR during the same period.
- Pro-Partner is the only domestic company among the top 10, with the remainder being foreign companies. Top 10 companies accounted for roughly 60% of the industry.
- Pro-Partner currently has more than 210k members as at the end of 2018, while market leader Amway has around 350k members.
- Among the market leaders, Pro-Partner has the highest sales per product.

Taiwan Direct Selling Ranking and Market Share %					
	2012	2013	2014	2015	2016
Amway	1 (15.1%)	1 (15.2%)	1 (14.9%)	1 (14.7%)	1 (13.45%)
Pro-Partner	<b>4 (6.4%)</b>	<b>4 (7.6%)</b>	<b>2 (8.2%)</b>	<b>2 (8.9%)</b>	<b>2 (9.83%)</b>
Melaleuca	2 (9.7%)	2 (9.2%)	3 (7.6%)	3 (6%)	7 (4.3%)
Herbalife	3 (6.7%)	5 (5.9%)	6 (5.1%)	4 (5.7%)	6 (5.1%)
Nu Skin	5 (6.1%)	3 (8.3%)	4 (6.1%)	5 (5.6%)	3 (5.5%)
Market America	7 (4%)	6 (4.6%)	5 (5.4%)	6 (5.3%)	5 (5.2%)
Total Swiss	9 (0.8%)	8 (1.6%)	7 (4.2%)	7 (5.3%)	4 (5.2%)
Jeunesse	10 (0.7%)	9 (1.2%)	10 (1.8%)	8 (3.3%)	8 (4.0%)
E.EXCEL	8 (2.7%)	7 (3.1%)	9 (2.9%)	9 (2.9%)	10 (2.6%)
Avon	6 (4.6%)	6 (4.6%)	8 (4%)	10 (2.6%)	> 10 (N.A.)

Source: Taiwan Association of Direct Selling

Company	Members ('000)	Sales contribution per member (NT\$)	# of Products	Sales contribution per product (NT\$m)
Pro-Partner	200	43,300	30	288.7
Herbalife	66	69,486	91	50.5
Nu Skin	120	40,000	219	21.9
Melaleuca	180	21,111	502	7.6
Amway	350	33,857	289	41.0
Jeunesse	180	19,444	23	152.2

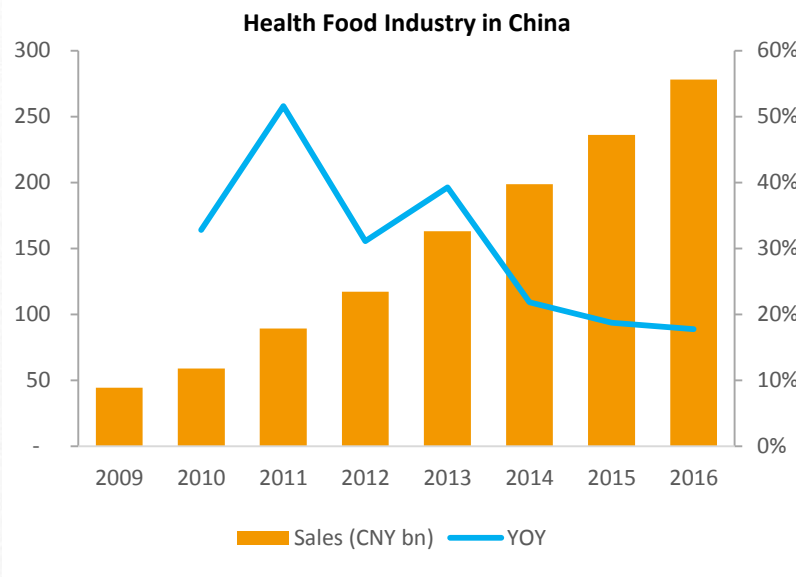
Source: Company data, FTC, Taiwan Association of Direct Selling



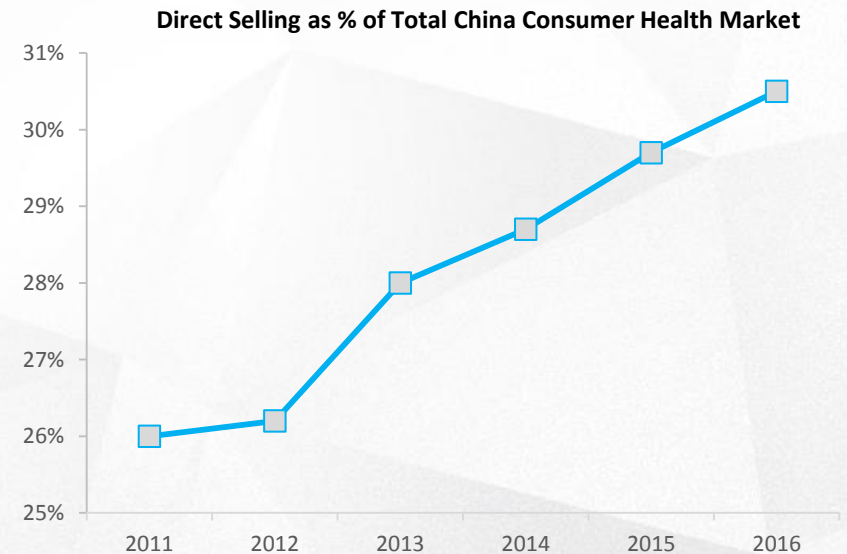


# “ China Health Food Industry

- China's health food industry delivered a 30% CAGR between 2009-2016, mainly driven by economic growth, disposable income, and rising health awareness.
- Direct selling has become an important distribution channel as sales from direct selling has grown from 26% in 2011 to 30% in 2016, according to Euromonitor.
- Despite the latest Administrative Measure of Health Food Registration and Filing having streamlined the certification process for vitamins and minerals, other products still need to go through the “Blue Hat” certification process by the CFDA.



Source: National Bureau of Statistics of PRC



Source: Euromonitor



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# **Our Goals and Strategies**

# “ Our Group Goals

## Long-term Goals

- Transform Grape King into a group enterprise.
- Continue to explore partnership or new business opportunities and take the Group to international level.
- Grape King own brand, Pro-Partner, and Grape King Shanghai each to contribute 1/3 of consolidated revenue.

## Mid-term Goals

- Continue overseas expansion.
- Establish retail channels in China for the 5 Blue Hat products.
- China business to continue delivering double digit growth.

## Near-term Goals

- Continue to improve brand equity.
- Continue to invest in food safety measures and protection.
- Smooth ramp-up for our capacity expansion.
- Consolidated revenue to resume to double-digit growth.

# “ Integrated Marketing Strategy

## Cross-Channel Integration

## CRM

## Loyalty Program

### Virtual channel penetration

- Grape King online store
- Online B2C stores
- TV shopping channels
- Catalogue and mail shopping

### Retail channel penetration

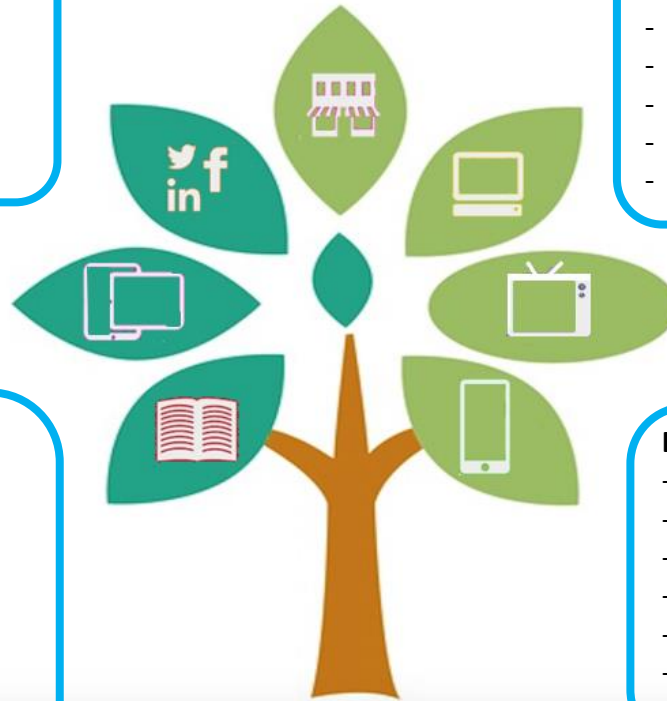
- Pharmacies - Drugstores
- CVS - Department Stores
- Supermarkets - Discount Stores
- Hypermarkets - Restaurants
- GK Visitor Centre - Post offices

### Above the line marketing

- Internet: Promo videos, ads
- Facebook: Fan pages
- Google: Adwords, Campaigns
- Yahoo: Advertising, Campaigns
- Youtube
- Soft-selling ads by celebrities and bloggers.
- TV commercials
- Grape King websites

### Below the line marketing

- Exhibitions - Billboard
- Press Conferences - Store Signs
- Magazines - Sample
- Newspaper - Giveaways
- PR - Brochures
- Mailing Campaigns - Sporting Events
- Concerts and live events



# “ Creative Brand Building & Product Campaigns

Grape King Antrodia King (liver protection)  
Anger causes high blood pressure but also harms liver.



Grape King Ginseng Vitamin B Complex Plus  
Flight attendant no longer needs to roll her eyes for unreasonable requests



Grape King's micro film commercial series  
Who do you want to deliver health to? Health is mom's  
handmade rice dumpling (Health is Accompanying)



Grape King's micro film commercial series  
Who do you want to deliver health to? Health is a 3 bedroom  
house (Health is Responsibility)

# “ New Products Pipeline

**2019**

## Probiotics Snacks

Probiotics sweets for children

**2019**

## Dental Hygiene Products

Probiotic- and fungal-based toothpaste and breath freshener

**2019**

## Supplement Food for Pets

Probiotics- and fungal- based supplements

**2019**

## New Antrodia and Lion's mane mushroom products

Both expected to be Taiwan FDA certified

**2H17**

## Super 13

**Probiotics & Prebiotics**  
New formulation that promotes healthy digestive system

**1H18**

## Daily Light

Weight loss health supplement

**1H17**

## Fu Bai Shen

Supports healthy male libido, energy, and stamina

**1H17**

## Golden ComeBest

The first Taiwan FDA certified energy drink



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GRAPE KING BIO

# “ Ongoing Research for Future Products



## On-going Clinical Trials

- Hericium Erinaceus (Lion’s Mane mushroom) - **Alleviate cognitive impairment** (Chung Shan Medical University Hospital) - first phase unblind
- Hericium Erinaceus (Lion’s Mane mushroom) - **Alleviate diplacusis** (Dalin Tzu Chi Hospital)
- Hericium Erinaceus (Lion’s Mane mushroom) - **Alleviate Parkinson’s disease** (Chung Shan Medical University Hospital)
- Lactobacillus - **Reduce body fat formation** (China Medical University Hospital)



## Probiotics-based – Animal Trials

- Super 13 Pro & Prebiotics - **Desensitizes and improves intestinal flora** (China Medical University)
- Selective trials of Lactobacilli lowering blood sugar (OGTT) (Food Industry Research and Development Institute)
- Selective trials of Lactobacilli **preventing depression** (Hungkuang University)
- Trials for **prevention of cisplatin** (chemotherapy medication)- induced autoimmune kidney disorder (China Medical University)



## Fungal-based – Animal Trials

- Research on Hericium Erinaceus (Lion’s Mane mushroom) mycelia related to **depression and sleep disorder** (National Taiwan University)
- iPSC testing of Hericium Erinaceus mycelia on **Alzheimer’s disease patients; potential for treating dementia** (National Yang-Ming University)
- **Using big data to find and develop health foods** - Antrodia Camphorate substances (National Yang-Ming University)
- Protective uses of Hericium Erinaceus substances on **ischemic brain injury** (National Yang-Ming University)



## Other substance-based – Animal Trials

- 995 **alleviation of sarcopenia** (Fu Jen Catholic University)
- Analysis of **the prevention of spermatozoa damage and the promotion of spermatozoa quality** using Morchella vulgaris
- Cicada active substance selected using mode for **lowering intraocular pressure** (ITRI)



# 2019 Production Line Expansion Plans

Manufacturing capacity								
Region	Factory	Production Line	2018 Monthly Capacity	2019 Monthly Capacity Added	2019 Monthly Capacity	Increase Rate	Completion	
Taoyuan	Grape King Headquarter Pingzhen	Capsules	8 million capsules	5 million capsules	13 million capsules	60%	Q4	
		Fine Granule	15 million pack	-	15 million pack	-	-	
		Powder	1.8 million packs	-	1.8 million packs	-	-	
	Grape King Specialist Fermentation Zhongli	Capsules	7 million capsules	-	7 million capsules	-	-	
		Fine Granule	2 million pack	-	2 million pack	-	-	
		Liquids-Big CC	4.2 million bottles	-	4.2 million bottles	-	-	
		Liquids-Small CC	1 million bottles	-	1 million bottles	-	-	
		PKL	1.4 million bottles	-	1.4 million bottles	-	-	
PIC/S	0.8 million packs	-	0.8 million packs	-	-			
Shanghai	Grape King Shanghai Headquarter Shanghai	Liquids(Glass)	15 million bottles	3 million bottles	18 million bottles	20%	Q4	
		Liquids(Retort Pouch)	-	3 million packs	3 million packs	New	Q3	
		Powder	8.2 million pack	6.8 million pack	15 million pack	83%	Q3	
		Capsules	-	7 million capsules	7 million capsules	New	Q3	
		Troches	23 million capsules	40 million capsules	63 million capsules	174%	Q3	
Fermentation capacity								
Region	Factory	Production Line	2018 Fermentation Capacity	2019 Fermentation Capacity Added	2019 Fermentation Capacity	Fermenter	Increase Rate	Completion
Taoyuan	Grape King Bio-Tech Research Institute Longtan	Lactobacilli	-	30 tons	30 tons	15 tons*2	New	Q3
		Mushroom	-	60 tons	60 tons	20 tons 40 tons	New	Q3
	Grape King Specialist Fermentation Zhongli*	Lactobacilli	25 tons	-	25 tons	5 tons*3 10 tons	-	-
		Mushroom	161.5 tons	-	161.5 tons	1 tons*6 2.5 tons 3 tons 20 tons 40 tons*2 50 tons	-	-
		PKL Liquids	80 tons	-	80 tons	20 tons*2 40 tons	-	-



# “ Our CSR Commitments



We regularly provide free training courses and internship opportunities to more than 16 universities in Taiwan.



Employees are one of the most valuable assets of our business. We continue to look after our employees by supporting issues and causes that matter to them.



Employees



Industry and Academia  
Cooperation



Social Contribution



Grape King undertakes all operations with high consideration for the environment. Our factories use waste water and air recycling systems to prevent air and water pollution.



The Environment



We offer financial scholarships for students from the local community and financial support for low-income families in Taoyuan. In 2013 we formed our CSR team to take part in various public activities.

[Click-here for our 2017 CSR report](#)

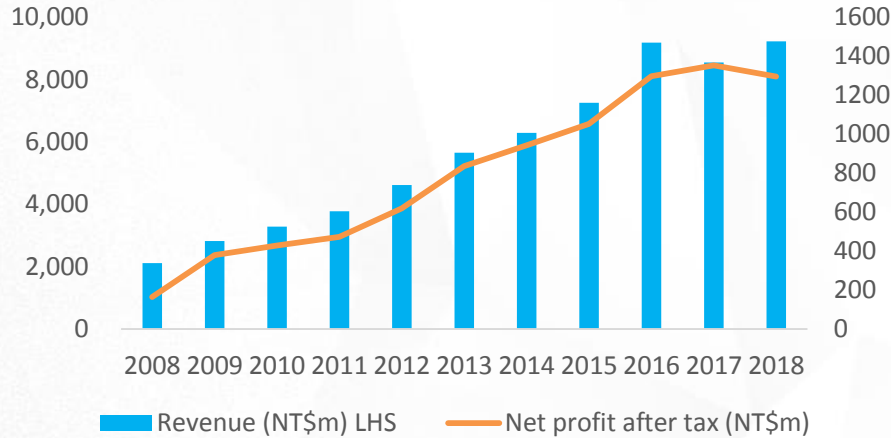


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# Financial Performance

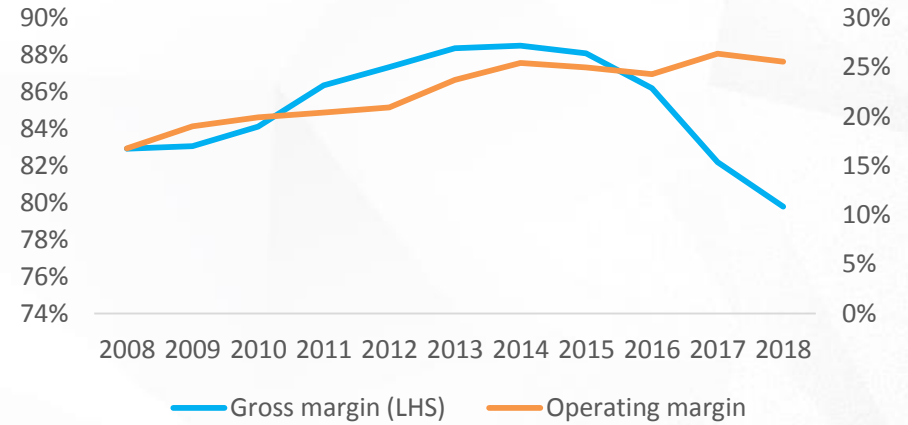
# “ Financial Highlights

Historical revenue vs. net profit after tax



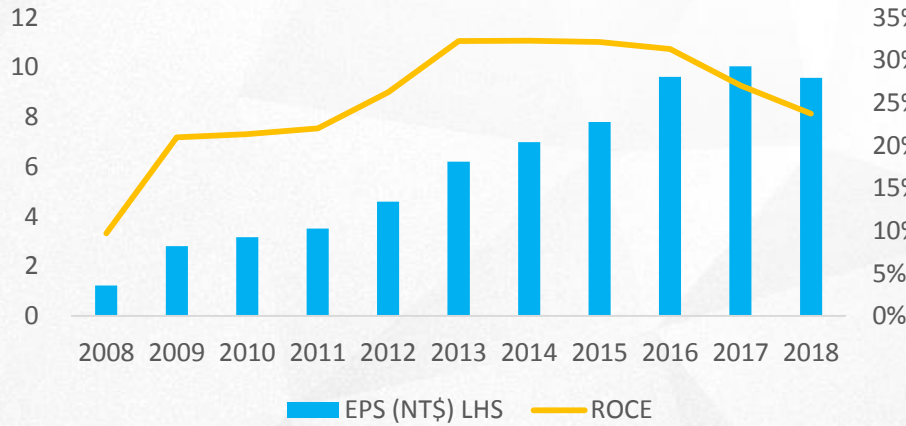
Notes: Only 2017-2018 revenues were adjusted to IFRS 15

Historical gross margin vs. operating margin

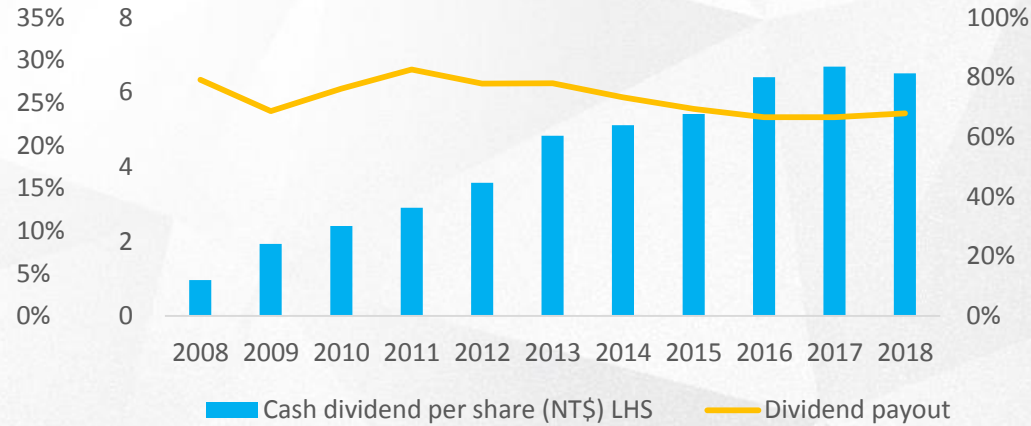


Note: Only 2017-2018 were adjusted to IFRS 15. The drop in gross margin is due to higher contribution from Shanghai Grape King with lower gross margin from ODM, but operating margin is around the same.

Historical EPS vs. ROCE



Historical cash dividend payout



# “ Five-Year Income Statement

NT\$m	2013	2014	2015	2016	2017	2018	YoY (%)					
							2013	2014	2015	2016	2017	2018
<b>Revenue</b>	<b>5,639</b>	<b>6,283</b>	<b>7,248</b>	<b>9,185</b>	<b>8,546</b>	<b>9,183</b>	<b>22.3</b>	<b>11.4</b>	<b>15.4</b>	<b>26.7</b>	<b>2.2</b>	<b>7.5</b>
Gross Profit	4,983	5,561	6,385	7,919	7,023	7,329	23.7	11.6	14.8	24.0	(0.7)	4.4
Operating Expenses	(3,653)	(3,961)	(4,573)	(5,685)	(4,768)	(4,979)	19.4	8.4	15.4	24.3	(1.3)	4.4
<b>Operating Profit</b>	<b>1,330</b>	<b>1,600</b>	<b>1,812</b>	<b>2,234</b>	<b>2,254</b>	<b>2,350</b>	<b>37.3</b>	<b>20.3</b>	<b>13.3</b>	<b>23.3</b>	<b>0.9</b>	<b>4.2</b>
Non Operating Income/(Loss)	97	89	70	78	151	77	106.7	(8.1)	(21.5)	11.8	92.6	(49.2)
Pretax Income	1,427	1,689	1,883	2,312	2,405	2,427	40.5	18.4	11.4	22.8	4.0	0.9
Tax Expenses	(246)	(303)	(336)	(426)	(471)	(537)	36.8	23.1	10.9	26.8	10.6	14.0
Minority interest	(346)	(444)	(495)	(590)	(583)	(595)	52.0	28.4	11.5	19.2	(1.3)	2.1
<b>Net Income to Parent</b>	<b>836</b>	<b>942</b>	<b>1,052</b>	<b>1,297</b>	<b>1,352</b>	<b>1,295</b>	<b>37.4</b>	<b>12.8</b>	<b>11.6</b>	<b>23.3</b>	<b>4.3</b>	<b>(4.2)</b>
<b>Basic EPS (NT\$)</b>	<b>6.42</b>	<b>7.24</b>	<b>8.07</b>	<b>9.82</b>	<b>10.03</b>	<b>9.57</b>	<b>37.5</b>	<b>12.8</b>	<b>11.5</b>	<b>21.7</b>	<b>2.1</b>	<b>(4.6)</b>
<b>Key Financial Ratios (%)</b>												
Gross Margin	88.4	88.5	88.1	86.2	82.2	79.8						
Operating Expense Ratio	64.8	63.1	63.1	61.9	55.8	54.2						
Operating Margin	23.6	25.5	25.0	24.3	26.4	25.6						
Effect Tax Rate	17.2	17.9	17.8	18.4	19.6	22.1						
Net Margin	14.8	15.0	14.5	14.1	15.8	14.1						

Notes: Only 2017-2018 numbers were adjusted to IFRS 15



# “ Five-Year Balance Sheet

NT\$m	2013	2014	2015	2016	2017	2018	YoY (%)					
							2013	2014	2015	2016	2017	2018
<b>Total Assets</b>	<b>4,629</b>	<b>5,369</b>	<b>8,612</b>	<b>9,550</b>	<b>9,892</b>	<b>10,648</b>	<b>19.4</b>	<b>16.0</b>	<b>60.4</b>	<b>10.9</b>	<b>3.6</b>	<b>7.6</b>
Cash	1,069	1,374	1,433	1,899	1,920	2,050	(1.5)	28.6	4.3	32.6	1.1	6.8
AR & NR	86	98	97	204	160	171	(38.1)	14.0	(1.9)	111.6	(21.5)	6.8
Inventories	235	268	359	435	492	563	11.3	14.1	34.0	21.0	13.1	14.4
Fixed Assets	1,820	2,068	5,597	6,084	6,355	5,927	15.5	13.6	170.6	8.7	4.5	(6.7)
<b>Total Liabilities</b>	<b>1,408</b>	<b>1,652</b>	<b>4,393</b>	<b>3,767</b>	<b>3,564</b>	<b>3,715</b>	<b>21.9</b>	<b>17.3</b>	<b>165.9</b>	<b>(14.3)</b>	<b>(5.4)</b>	<b>4.2</b>
AP & NP	88	128	153	198	323	262	(0.4)	45.9	19.2	29.6	63.2	(18.9)
Total Borrowing	32	0	2,439	1,206	1,022	1,119	4.1	-	-	(50.6)	(15.2)	9.5
<b>Total Equity</b>	<b>3,221</b>	<b>3,717</b>	<b>4,220</b>	<b>5,783</b>	<b>6,328</b>	<b>6,933</b>	<b>18.4</b>	<b>15.4</b>	<b>13.5</b>	<b>37.1</b>	<b>9.4</b>	<b>9.6</b>
<b>Key Financial Ratios (%)</b>												
A/R Turnover Days	7.2	5.3	4.8	5.9	7.0	6.5						
Inventory Turnover Days	122.4	125.6	131.0	113.0	109.5	102.4						
A/P Turnover Days	48.3	53.9	58.6	49.9	61.6	56.8						
Cash Conversion Days	81.3	77.0	77.2	69.0	54.9	52.1						
ROE (%)	32.2	32.3	32.1	31.3	27.0	23.7						
ROA (%)	19.7	18.9	15.0	14.3	13.9	12.6						
Net debt (cash)/Equity %	(32.2)	(37.0)	23.9	(12.0)	(14.2)	(13.4)						

# “ Dividend Payout and Capex

(NT\$m)	2012	2013	2014	2015	2016	2017	2018
Net profit	619	836	942	1,052	1,297	1,352	1,295
Cash dividend	482	651	690	730	862	903	883
DPS (NT\$)	3.7	5.0	5.3	5.59	6.4	6.68	6.5
Payout ratio	77.9%	77.9%	73.2%	69.4%	66.5%	66.8%	67.9%
Cash yield	3.1%	3.4%	2.4%	2.6%	3.2%	2.9%	3.2%
Capex	159	355	187	2,635	736	772	1,116

## Notes:

1. Cash yield is calculated based on Grape King's closing share price before the ex-dividend day of the following year, except for 2018, which is based on closing price on March 18, 2019.
2. The big spike in capex in 2015-2018 is largely due to the investment of 1) Pro-Partner's new headquarter building, 2) the new factory and tourist factory in Pingzhen (Grape King Headquarter), 3) the new factory in Longtan (Grape King Bio-Tech Research Institute), and 4) additional production lines for Grape King Shanghai.



# “ 2019 Priorities

## Taiwan Domestic Market

- Continue to work on our Brand, Products, and Business refresh through realignment of our organization structure and distribution channels
- Solidify our leadership position in Taiwan health food market
- Continue to identify and innovate quality products that meet consumers' needs
- Finding new channels (e.g. Restaurants, new distributors, Grape King visitors center)

## Overseas Market

- Continue to maximize or wallet share in our existing clients in China and explore new OEM/ODM opportunities in Asia
- Looking for Global partners and OEM/ODM clients
- Complete product certifications in major Southeast Asian countries
- Establish retail channels for our own brand products in China

## Financial Performance

- Positive revenue growth in 2019 with stable net profit margin
- Sustainable ROE of over 20%
- Maintain cash dividend payout of over 60%





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**Thank You**

For more information, please visit our  
company website at  
[www.grapeking.com.tw](http://www.grapeking.com.tw)