



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

A Mouth-Watering China Consumption Story



Corporate Presentation and 1QFY16 Results

May 12, 2016

Contents

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

Business Overview

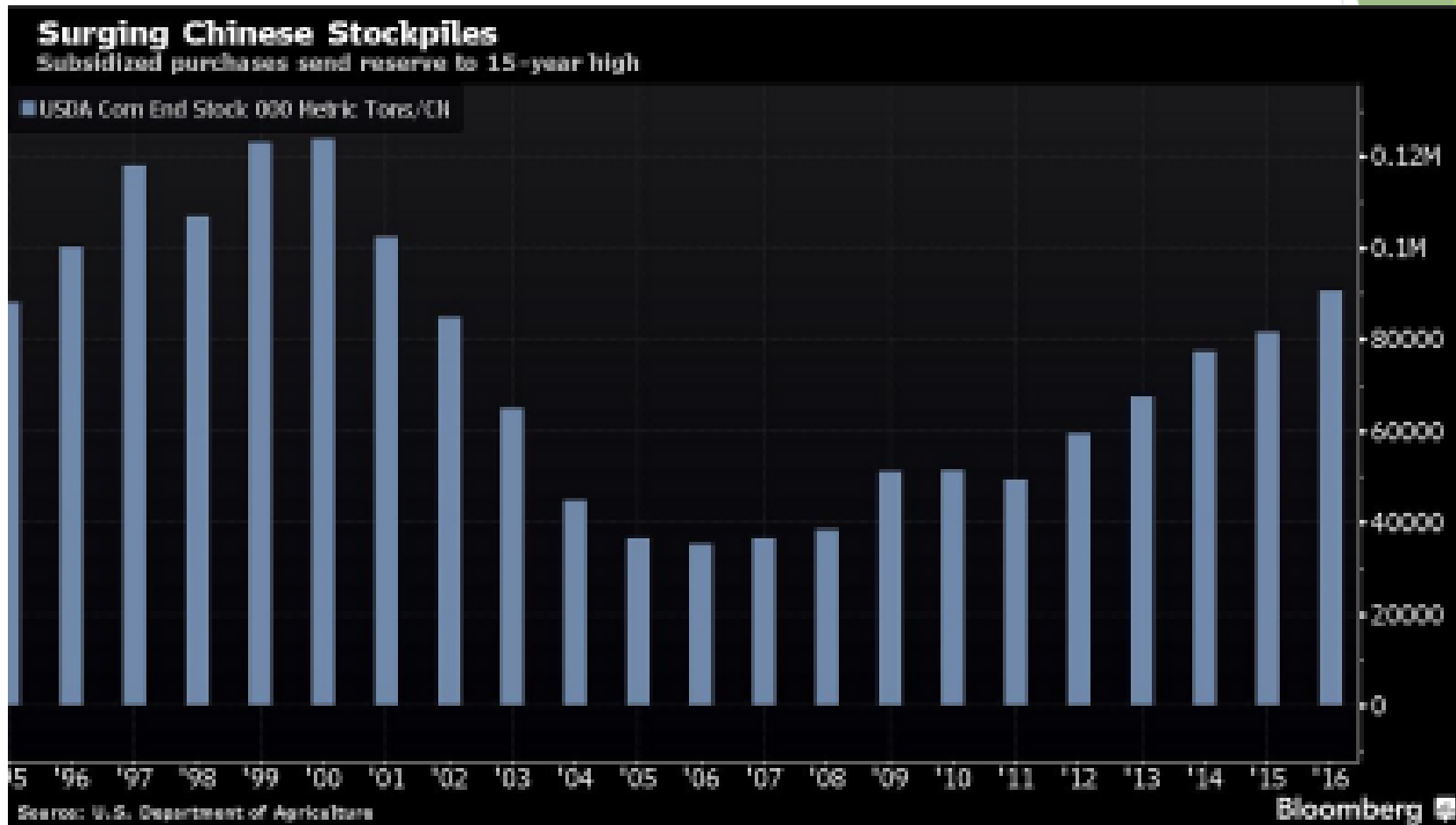


Operating Climate

- **Raw corn prices have been favourable in recent years due to ample supply from government stockpiles. Liaoning subsidiary is expected to benefit from liberalisation of corn supply in the medium term**
- **Domestic market remains relatively weak and demand has not picked up as expected**
- **Stiff competition has affected the pricing and margins for some product lines; production of animal feeds, corn oil, and amino acids suspended as they were not profitable**
- **Shandong subsidiary in the process of relocating.**

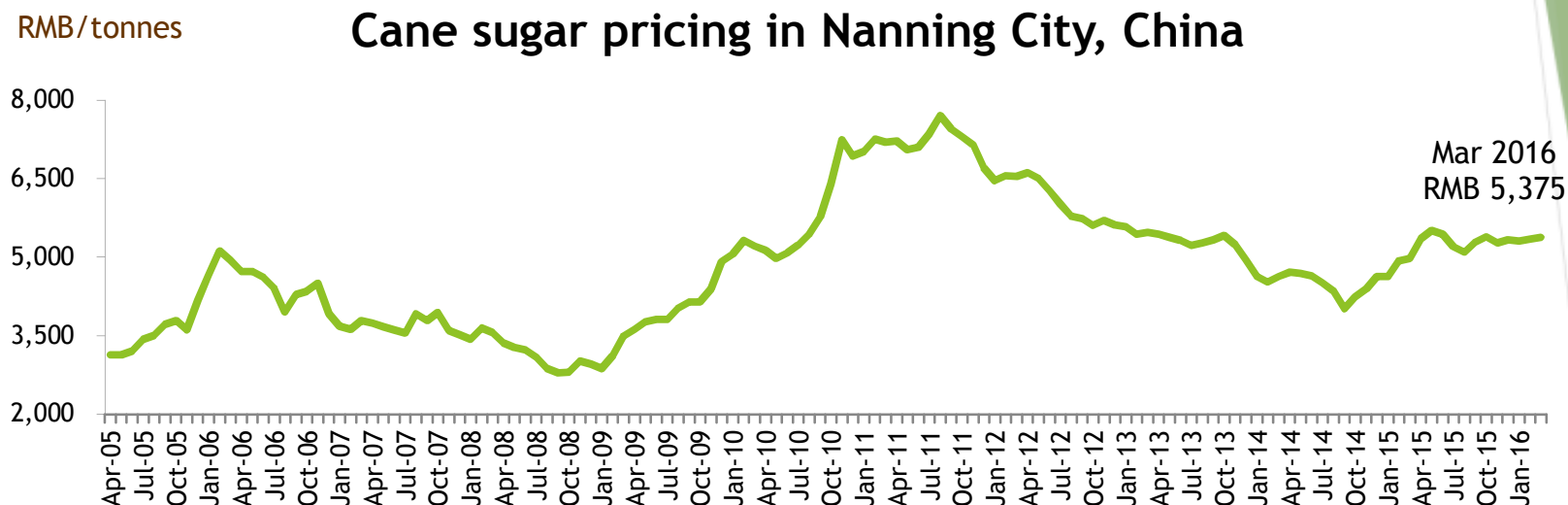
Operating Climate

- 🟡 The USDA estimates that corn stockpiles in China are projected to reach 90.6 million metric tons this year



Source: Bloomberg, <http://www.bloomberg.com/news/articles/2015-11-03/drought-turning-china-hope-for-record-crop-into-shrunk-harvest>

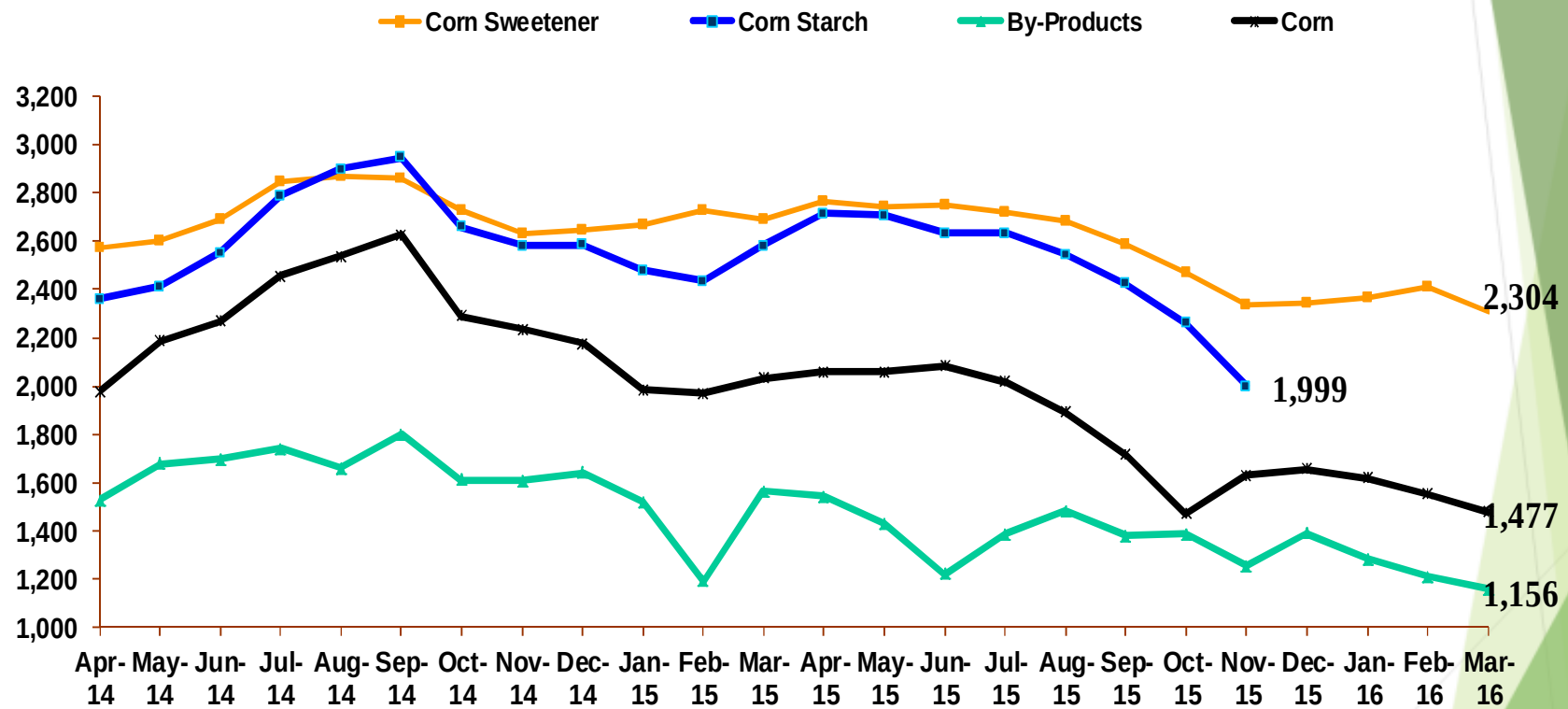
Price Comparisons to Cane Sugar



- 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 31 March 2016) are as follows:
 - Fructose: RMB 2,478/tonne
 - Dextrose: RMB 2,260/tonne
 - High Maltose Syrup: RMB 2,144/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



1QFY16 Financial Highlights

- 💡 **Group Revenue decreased by 22.1% y-o-y**
- 💡 **Gross profit margin of 10.5%, 4.0% higher y-o-y;**
- 💡 **Net Loss of RMB 14.3 million, decreased by 260.2% compared with net profit of RMB 8.9 million in 1QFY15**
- 💡 **Net Loss Margin of 3.2%, decreased significantly compared with net profit margin of 1.6% in 1QFY15**
- 💡 **Cash and cash equivalents of RMB 278.7 million as at 31 March, 2016 (RMB166.9 million as at 31 December, 2015)**

Income Statement Highlights

RMB'mil	1QFY16	y-o-y Chg (%)	4QFY15	q-o-q Chg (%)
Revenue	444.5	(22.1)	520.7	(14.6)
Gross Profit	46.6	(19.4)	71.4	(34.7)
Profit Before Tax	(12.7)	(222.4)	10.2	(224.5)
Net Profit	(14.3)	(260.2)	8.0	(278.8)
Gross Profit Margin	10.5%	4.0	13.7%	(23.4)
Net Profit Margin	(3.2%)	(300.0)	1.5%	(313.3)

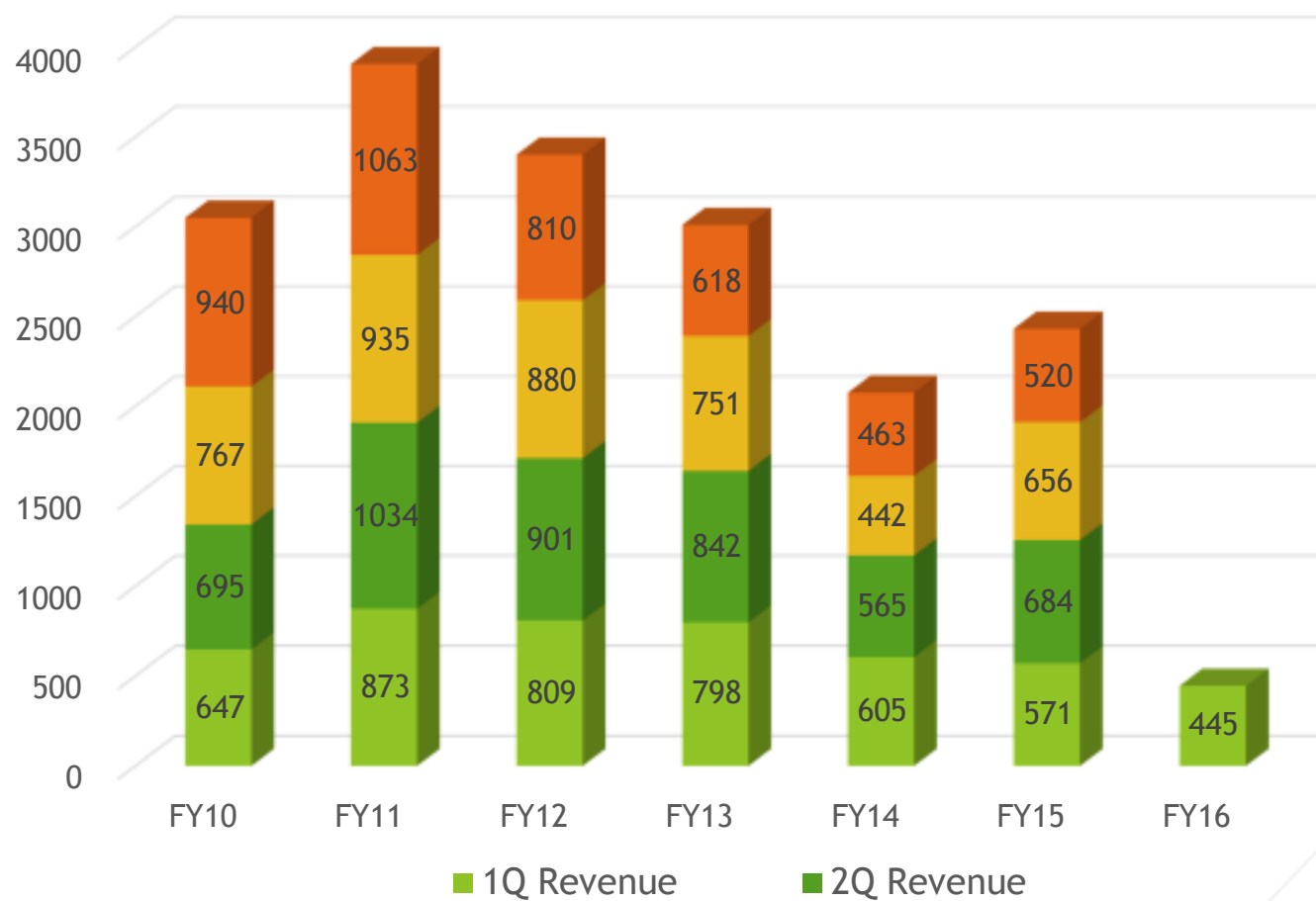
1Q: Three months ended March 31

4Q: Three months ended December 31

FY: Year ended December 31

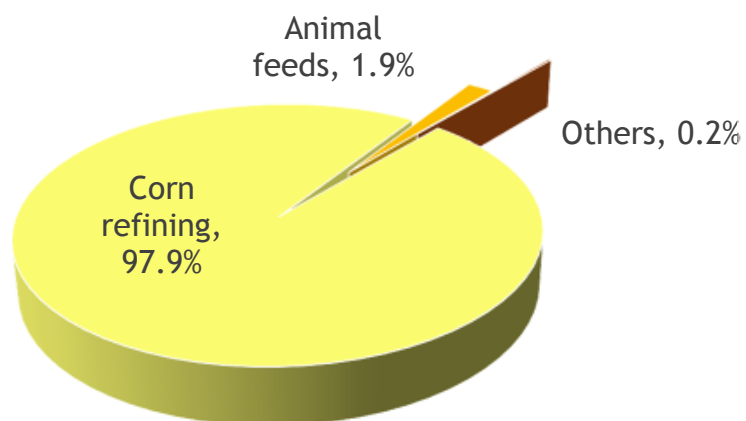
Revenue

RMB'mil



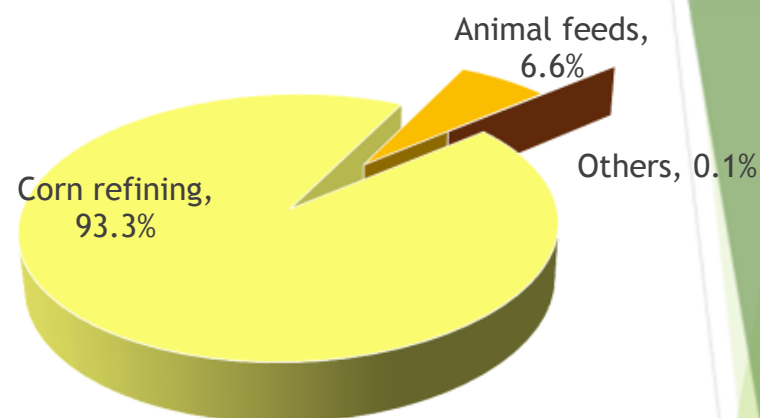
Revenue by Product Categories

1QFY16



Total Revenue: RMB444.5mil

1QFY15

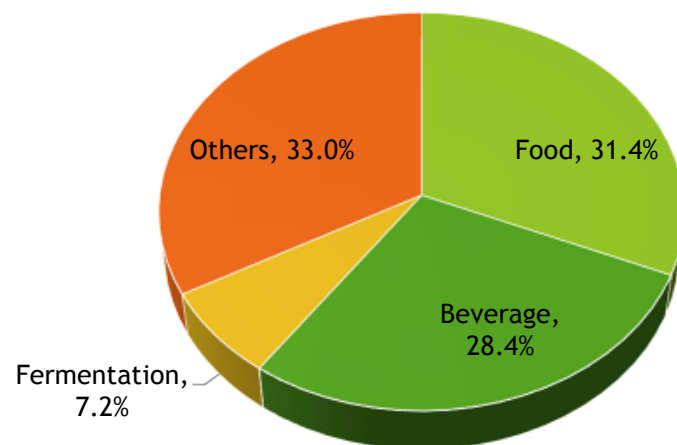


Total Revenue: RMB570.6 mil

	Y-o-y change in revenue	Y-o-y change in sales volume	Y-o-y change in weighted average selling price	Gross profit margin	Y-o-y change in gross profit margin
Corn refining	(18.2%)	(6.5%)	(12.0%)	10.8%	0.9%
Animal feed	(77.9%)	(73.8%)	(15.4%)	(11.8%)	(636.4%)

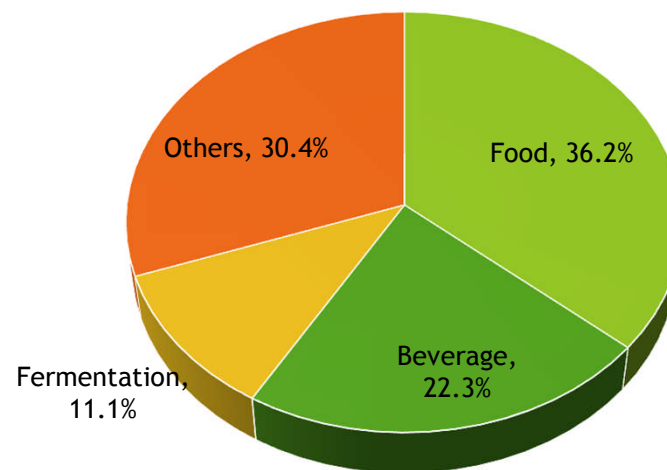
Revenue by Industry

1QFY16



Total Revenue: RMB444.5mil

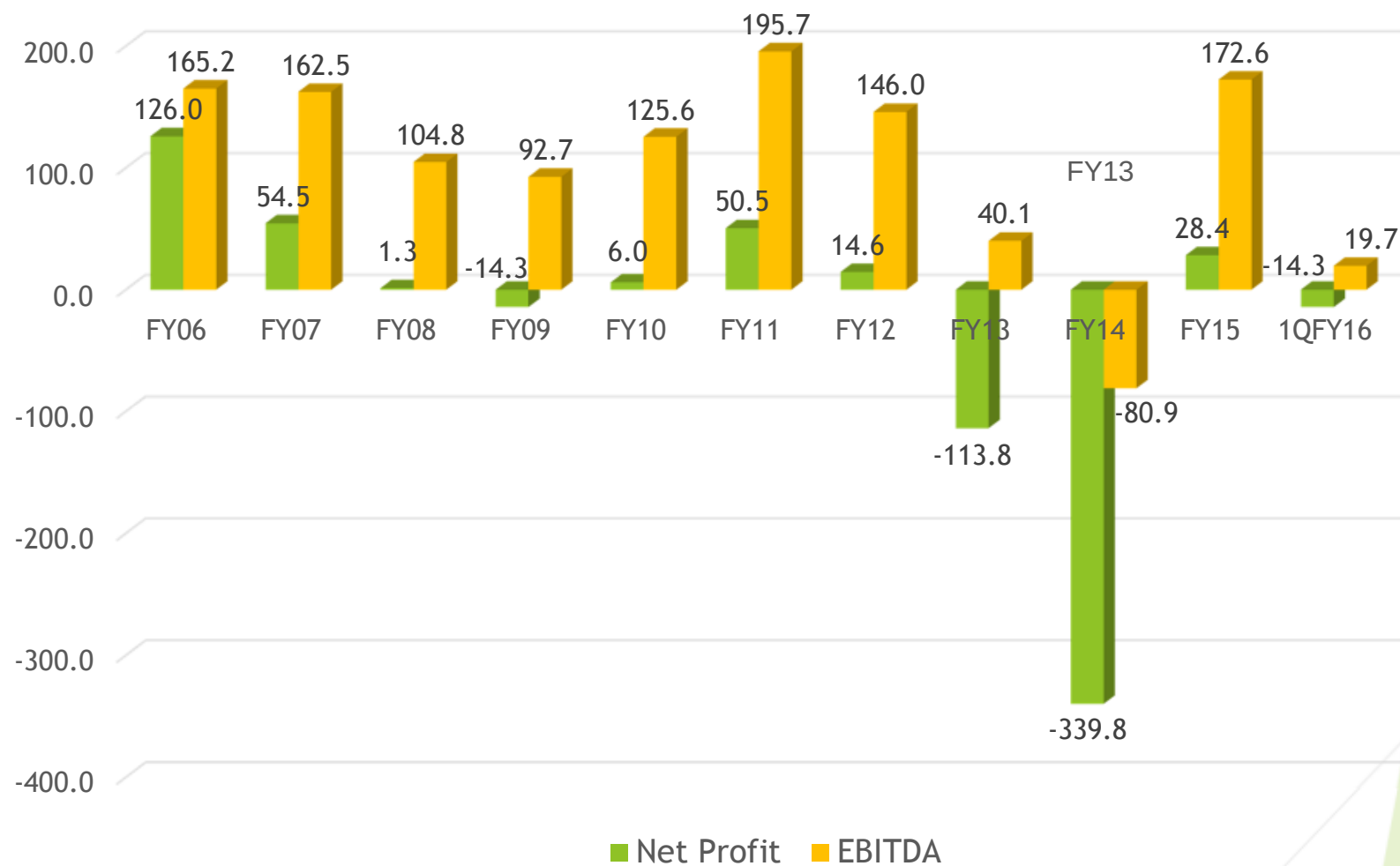
1QFY15



Total Revenue: RMB570.6 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 1QFY16	As at end FY15	Chg (%)
Current Assets	674.2	591.2	14.0
- Cash & Cash Equivalents	278.7	166.9	67.0
- Inventories	161.9	198.2	(18.3)
- Trade and Other Receivables	233.2	226.1	3.1
Total Assets	1,381.1	1,285.0	7.5
Current Liabilities	665.6	560.6	18.7
- Trade and Other Payables	265.4	286.1	(7.2)
- Short Term Borrowings	391.0	265.0	47.5
Long Term Borrowings	569.4	562.4	1.2
Total Liabilities	1,268.9	1,158.4	9.5

Balance Sheet Highlights

RMB'mil	As at end 1QFY16	As at end FY15	Chg (%)
Inventory Turnover Days	41	37	10.8
Receivables Turnover Days	37	27	37.0
Payables Turnover Days	46	36	27.8
Debt to Equity Ratio [#]	8.56	6.54	30.9
Price to Book Value [*]	0.97	0.84	15.5

[#] *Total interest bearing loans / Total equity*

^{*} *Based on share price of RMB 0.18 as at April 22, 2016*

Cash Flow Statement Highlights

RMB'mil	1QFY16	1QFY15	Chg (%)
Net Cash Generated from Operating Activities	24.3	67.5	(64.0)
Net Cash (Used in) Investing Activities	(32.8)	(5.4)	507.4
Net Cash Generated from/(used in) Financing Activities	31.3	(45.1)	169.4
Net Increase in Cash & Bank Balances	22.8	17.0	34.1
Cash & Bank Balances at Beginning of Period	81.9	50.6	61.9
Cash & Bank Balances at End of Period	104.7	67.6	54.9

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.
- Targeting sales to established customers with proven track records, including existing customers such as Coca-Cola, Pepsico, Wahaha, Tsingtao Beer, China Resources Snow Breweries, etc.
- Continue marketing and sales efforts to develop new customer relationships
- Organic growth driven by increasing consumption levels in China
- Cost savings from suspension of unprofitable products

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

Analyst/Media Contact:

NRA Capital Pte. Ltd. – Evan Ong/Eruwin Sudirman

Tel: 6236 6895

evan.ong@nracapital.com

eruwin.sudirman@nracapital.com

THANK YOU