



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

A Mouth-Watering China Consumption Story



Corporate Presentation and FY16 Results

February 28, 2017

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Business Overview

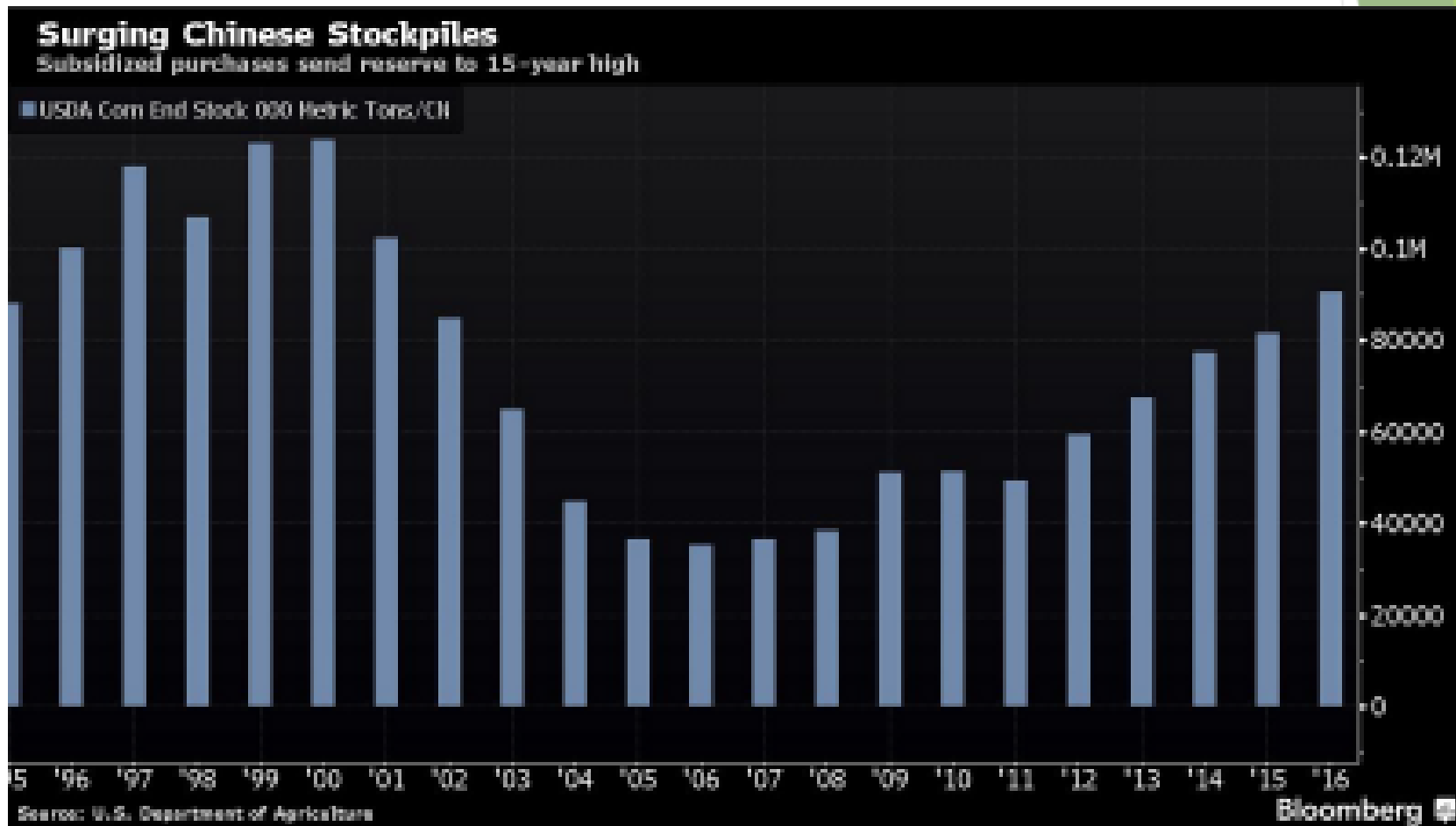


Operating Climate

- **Raw corn prices have been favourable in recent years due to ample supply from government stockpiles. Liaoning subsidiary may soon benefit from liberalisation of corn supply in that province**
- **Government's ongoing policy review may affect Luzhou's ability to purchase corn direct from local farmers at competitive prices in future**
- **Lower production prices have made Luzhou's products more competitive in the export market, but domestic sales and selling prices have been affected by weak demand and stiff competition**
- **Production of animal feeds, corn oil, and amino acids suspended since 1Q2016 as they were not profitable**
- **Sales volume in FY16 was affected by the Group's upgrading and relocation of plant facilities**

Operating Climate

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

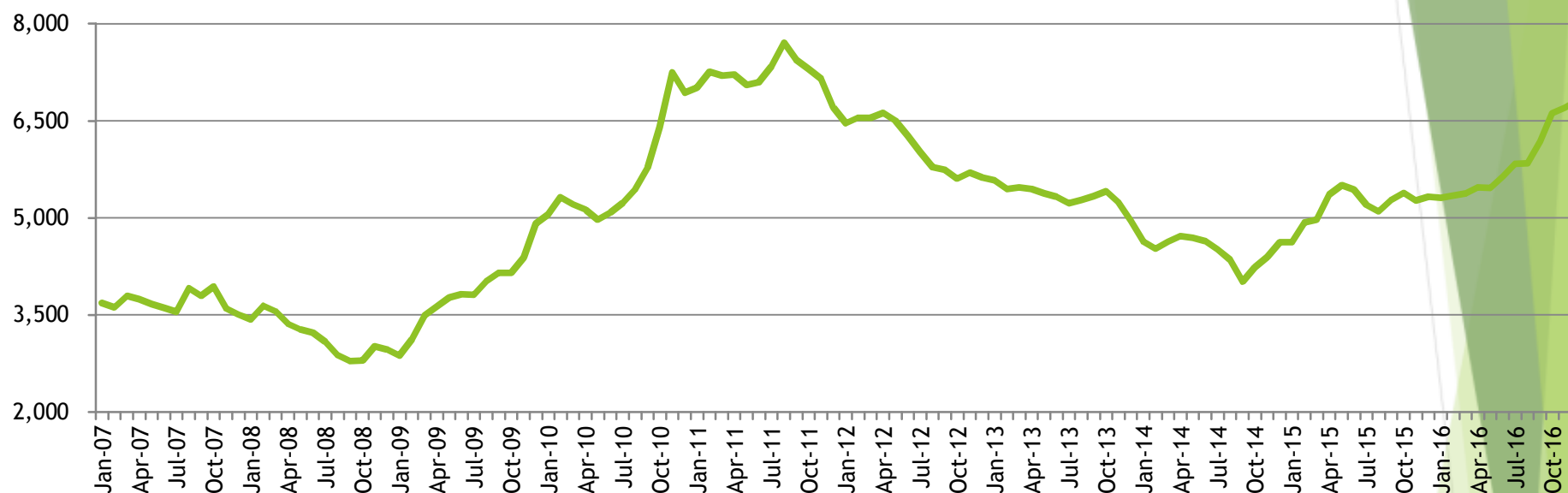


Source: Bloomberg, <http://www.bloomberg.com/news/articles/2015-11-03/drought-turning-china-hope-for-record-crop-into-shrunk-harvest>

Price Comparisons to Cane Sugar

RMB/tonnes

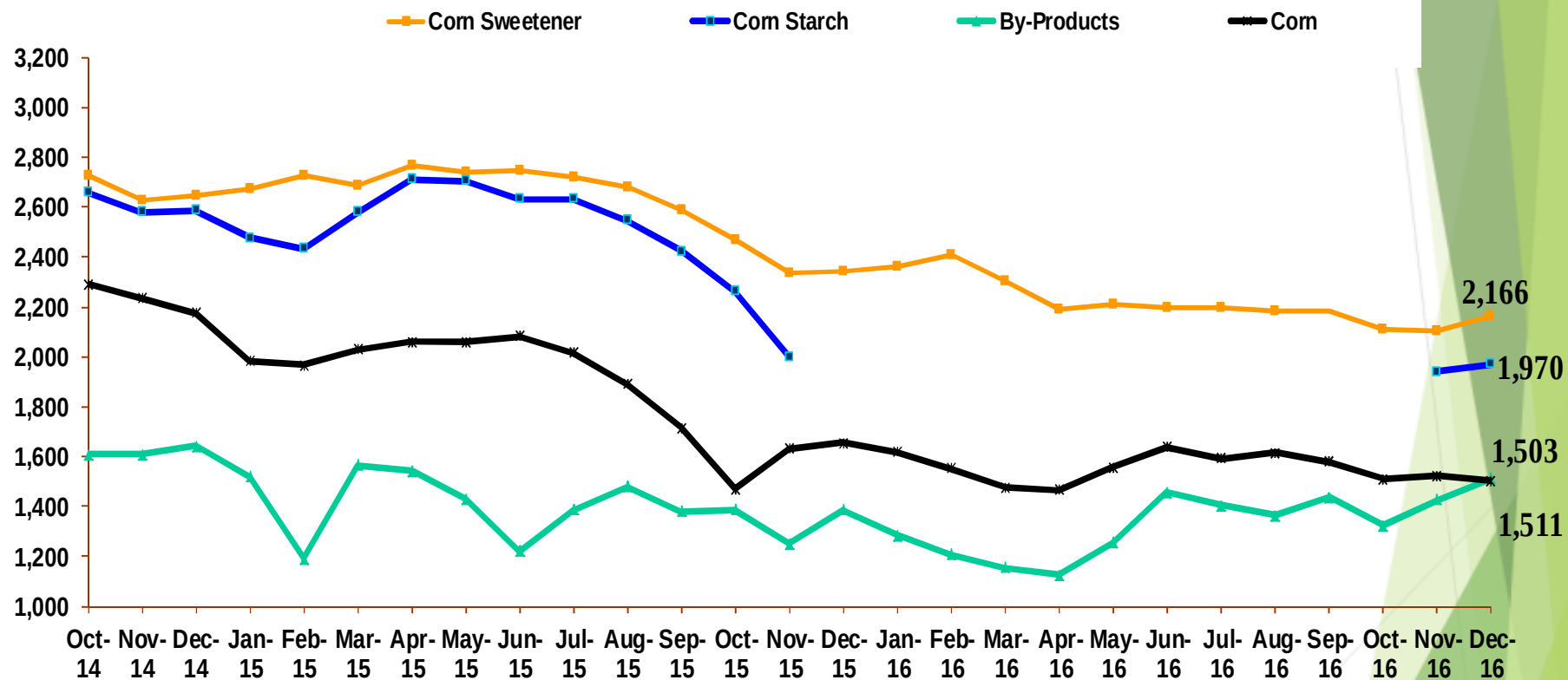
Cane sugar pricing in Nanning City, China



- 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 2016) are as follows:
 - Fructose: RMB 2,405/tonne
 - Dextrose: RMB 2,379/tonne
 - High Maltose Syrup: RMB 1,966/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



FY16 Financial Highlights

- 💡 **Group revenue decreased by 21.0% y-o-y**
- 💡 **Gross profit margin of 11.1%, 2.8% higher y-o-y;**
- 💡 **Net profit of RMB 13.9 million, decreased by 51.1% compared with net profit of RMB 28.4 million in FY15**
- 💡 **Net profit margin of 0.7%, decreased significantly compared with net profit margin of 1.2% in FY15**
- 💡 **Cash and cash equivalents of RMB 301.2 million as at 31 December, 2016 (RMB166.9 million as at 31 December, 2015)**

Income Statement Highlights

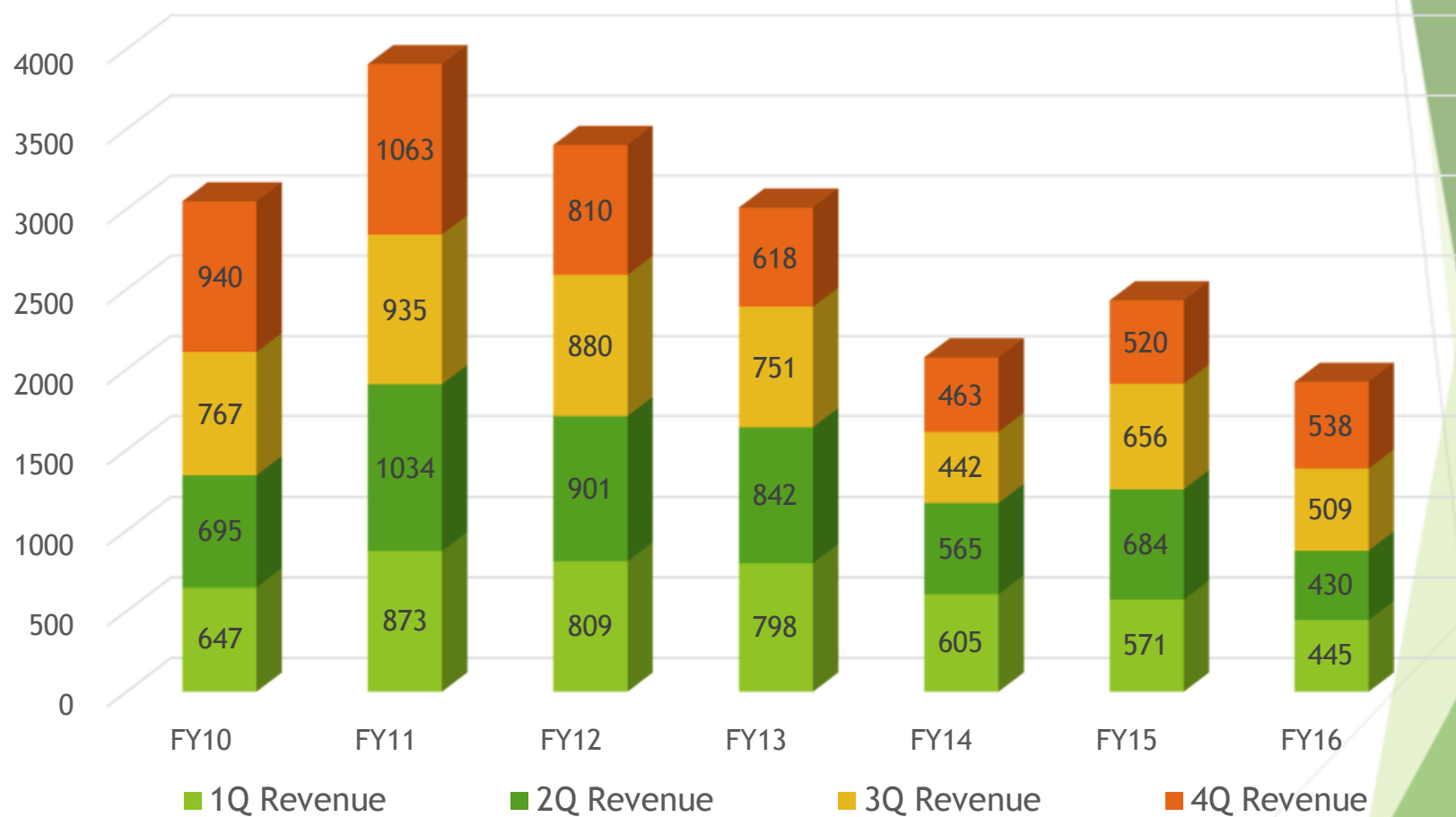
RMB'mil	4QFY16	y-o-y Chg (%)	q-o-q Chg (%)	FY16	y-o-y Chg (%)
Revenue	537.5	3.2	5.5	1,921.8	(21.0)
Gross Profit	66.5	(6.9)	34.9	212.4	(19.4)
Profit Before Tax	45.9	349.5	1,871.6	18.9	(47.5)
Net Profit	44.7	462.3	1,316.6	13.9	(51.1)
Gross Profit Margin	12.4%	(9.5)	27.8	11.1%	2.8
Net Profit Margin	8.3%	453.3	1,285.7	0.7%	(41.7)

4Q: Three months ended December 31

FY: Year ended December 31

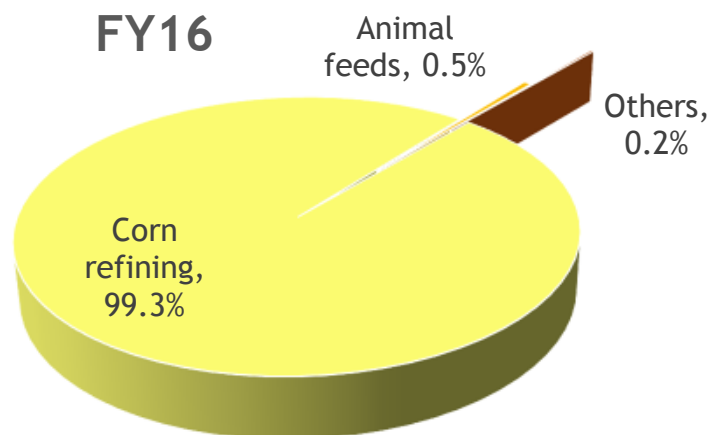
Revenue

RMB'mil



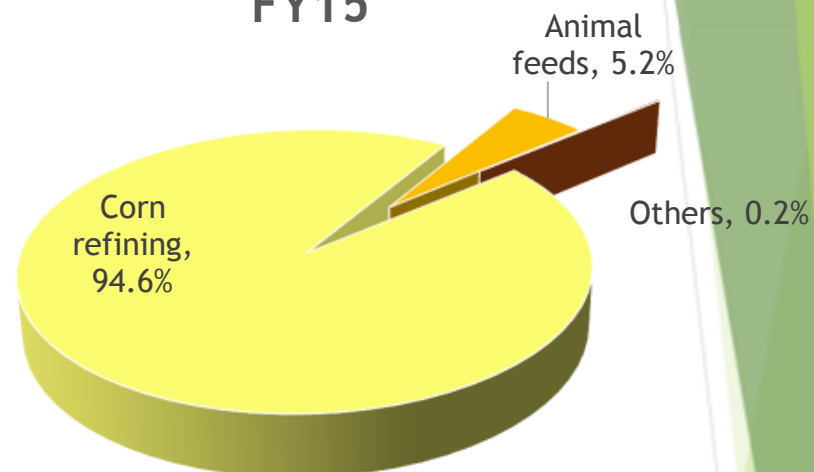
Revenue by Product Categories

FY16



Total Revenue: RMB 1,921.8 mil

FY15

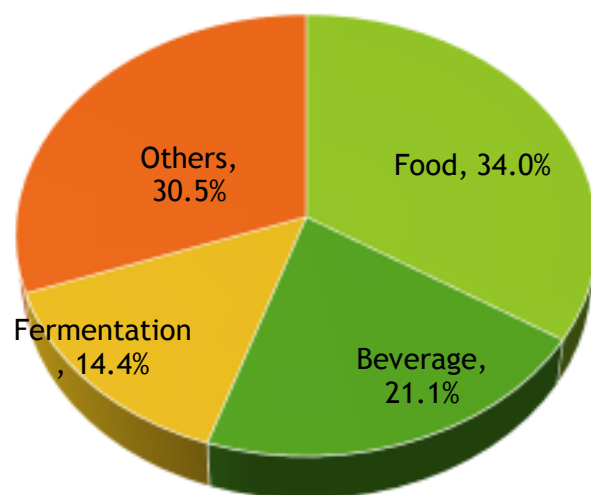


Total Revenue: RMB 2,431.4 mil

	Y-o-y change in revenue	Y-o-y change in sales volume	Y-o-y change in weighted average selling price	Gross profit/(loss) margin	Y-o-y change in gross profit/(loss) margin
Corn refining	(17.0%)	(4.0%)	(13.6%)	11.1%	(2.6%)
Animal feed	(92.4%)	(91.5%)	(11.6%)	(12.9%)	(13,000.0%)

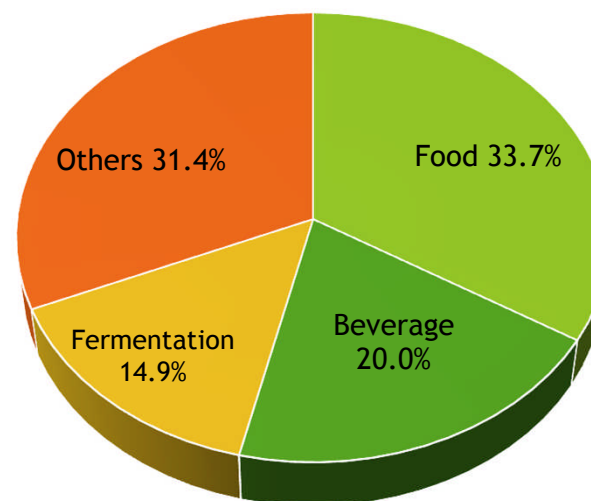
Revenue by Industry

FY16



Total Revenue: RMB 1,921.8 mil

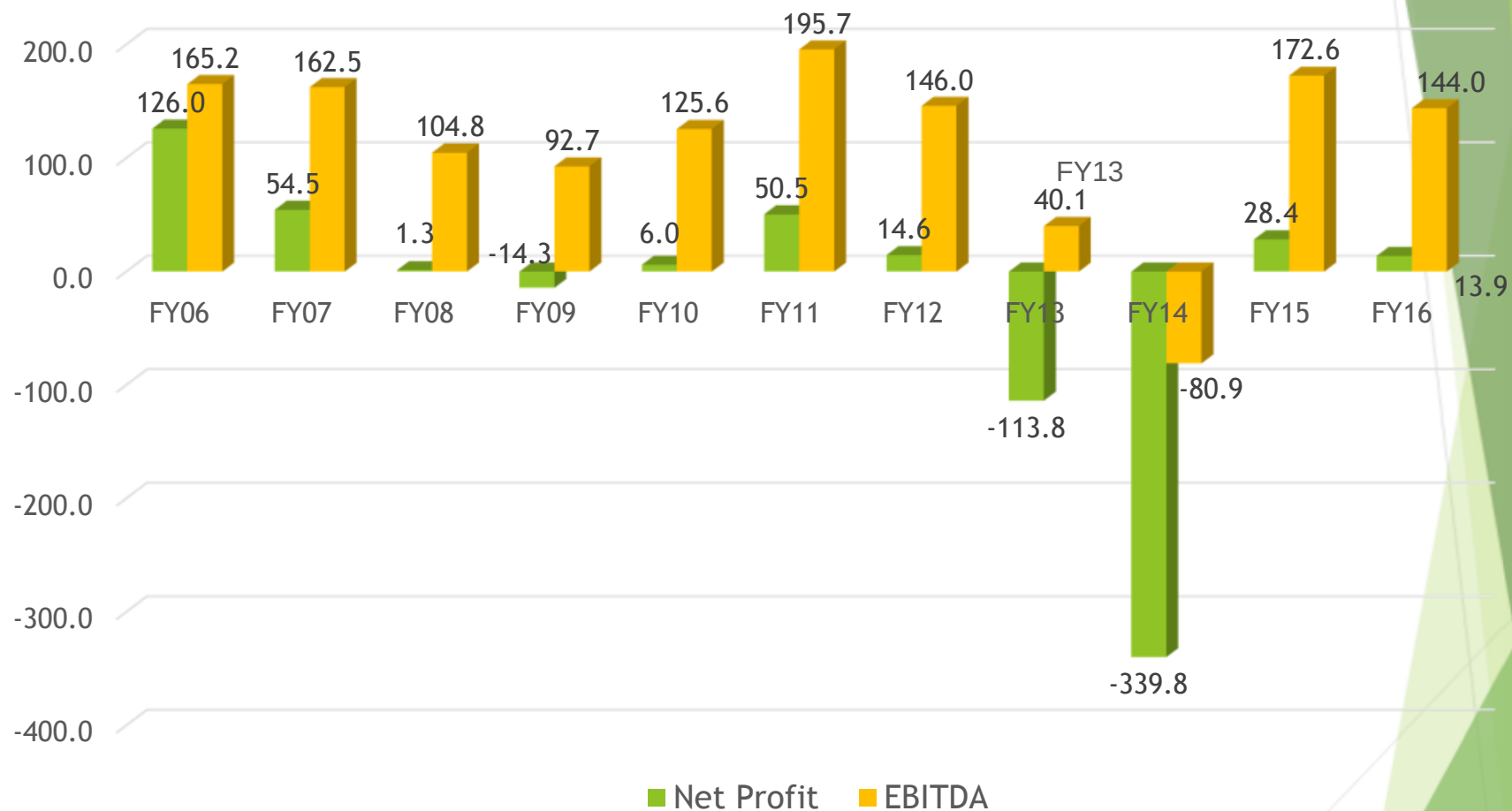
FY15



Total Revenue: RMB 2,431.4 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end FY16	As at end FY15	Chg (%)
Current Assets	779.5	591.2	31.9
- Cash & Cash Equivalents	301.2	166.9	80.5
- Inventories	175.6	198.2	(11.4)
- Trade and Other Receivables	301.9	226.1	33.5
Total Assets	1,483.2	1,285.0	15.4
Current Liabilities	670.7	560.6	19.6
- Trade and Other Payables	332.7	286.1	16.3
- Short Term Borrowings	330.0	265.0	24.5
Long Term Borrowings	640.0	562.4	13.8
Total Liabilities	1,348.5	1,158.4	16.4

Balance Sheet Highlights

RMB'mil	As at end FY16	As at end FY15	Chg (%)
Inventory Turnover Days	40	37	8.1
Receivables Turnover Days	35	27	29.6
Payables Turnover Days	47	36	30.6
Debt to Equity Ratio [#]	7.2	6.54	10.1
Price to Book Value [*]	0.66	0.84	(21.4)

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

^{*} *Based on share price of RMB 0.15 as at February 7, 2017*

Cash Flow Statement Highlights

RMB'mil	FY16	FY15	Chg (%)
Net Cash Generated from Operating Activities	147.4	150.1	(1.8)
Net Cash (Used in) Investing Activities	(99.6)	(30.5)	226.6
Net Cash Generated from/(Used in) Financing Activities	25.4	(88.3)	128.8
Net Increase in Cash & Bank Balances	73.3	31.3	134.2
Cash & Bank Balances at Beginning of Period	81.9	50.6	61.9
Cash & Bank Balances at End of Period	155.2	81.9	89.5

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**
- 🍯 **Planned expansion into Xinjiang in 2018 to take advantage of untapped demand for fructose supply in that region, from major customers such as Coca-Cola and Pesi Cola**

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