



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
1QFY17 Results**

May 15, 2017

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Business Overview

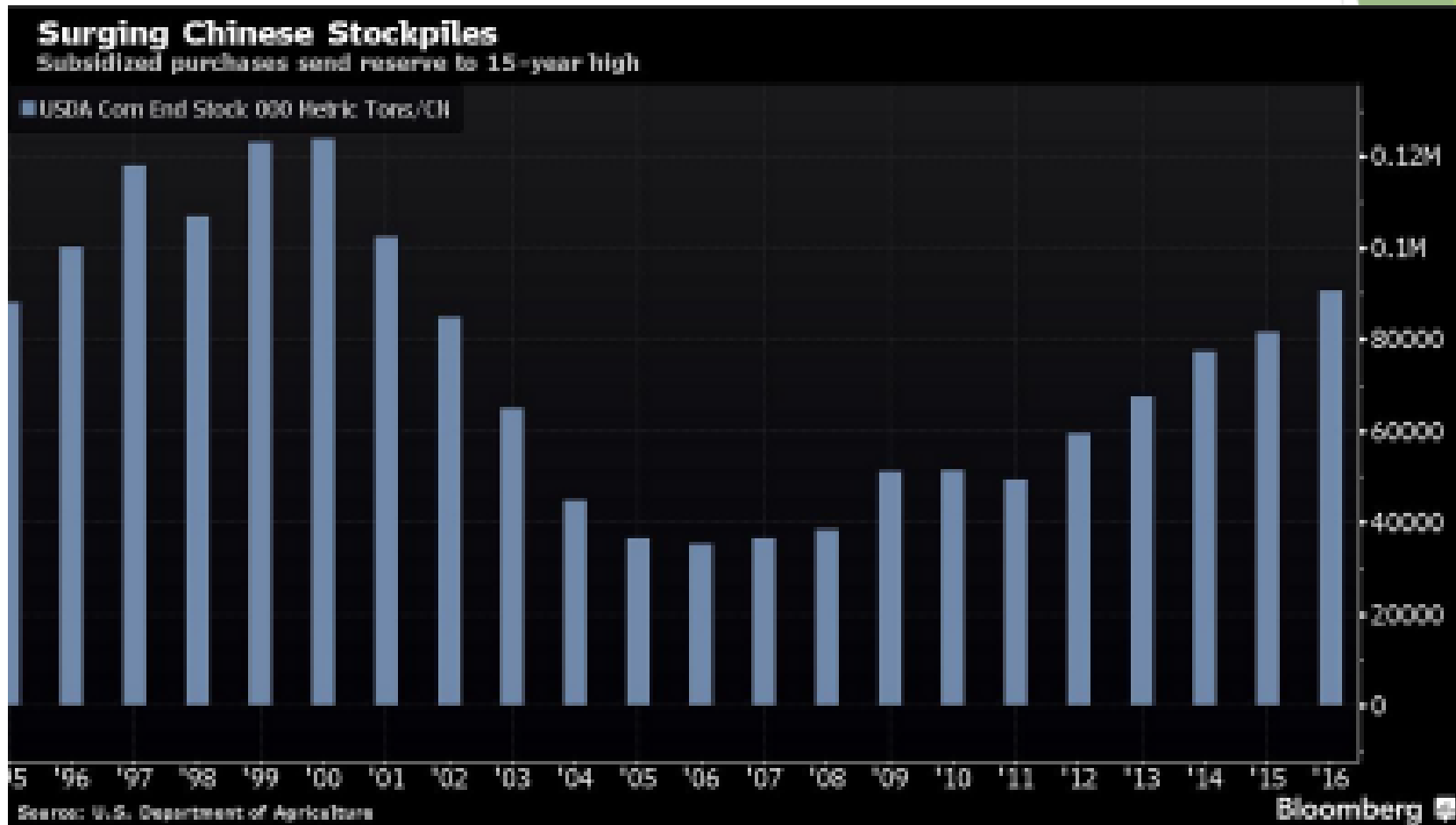


Operating Climate

- 💡 **Government continues to push for consumer-driven economic model to stimulate its domestic economy**
- 💡 **The Group expects the market conditions in the near future to be challenging due to the recent fluctuations in the average corn raw material prices**
- 💡 **The changes in the government policies will also be challenging to the Group**

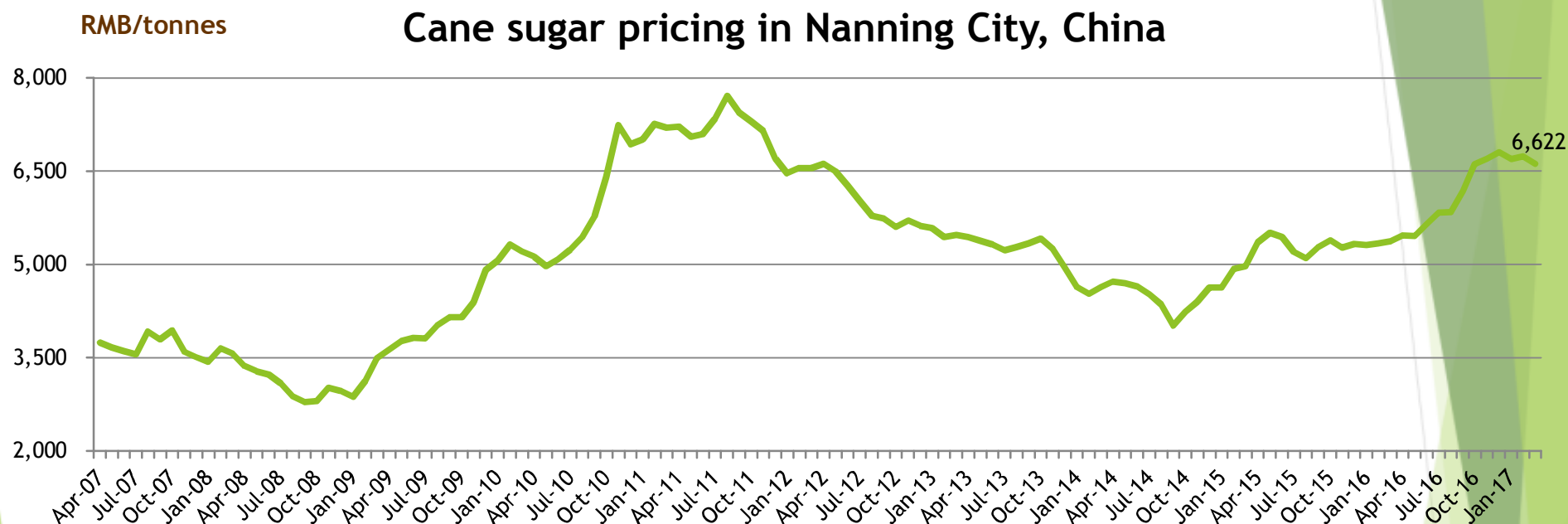
Operating Climate

- 🟡 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>

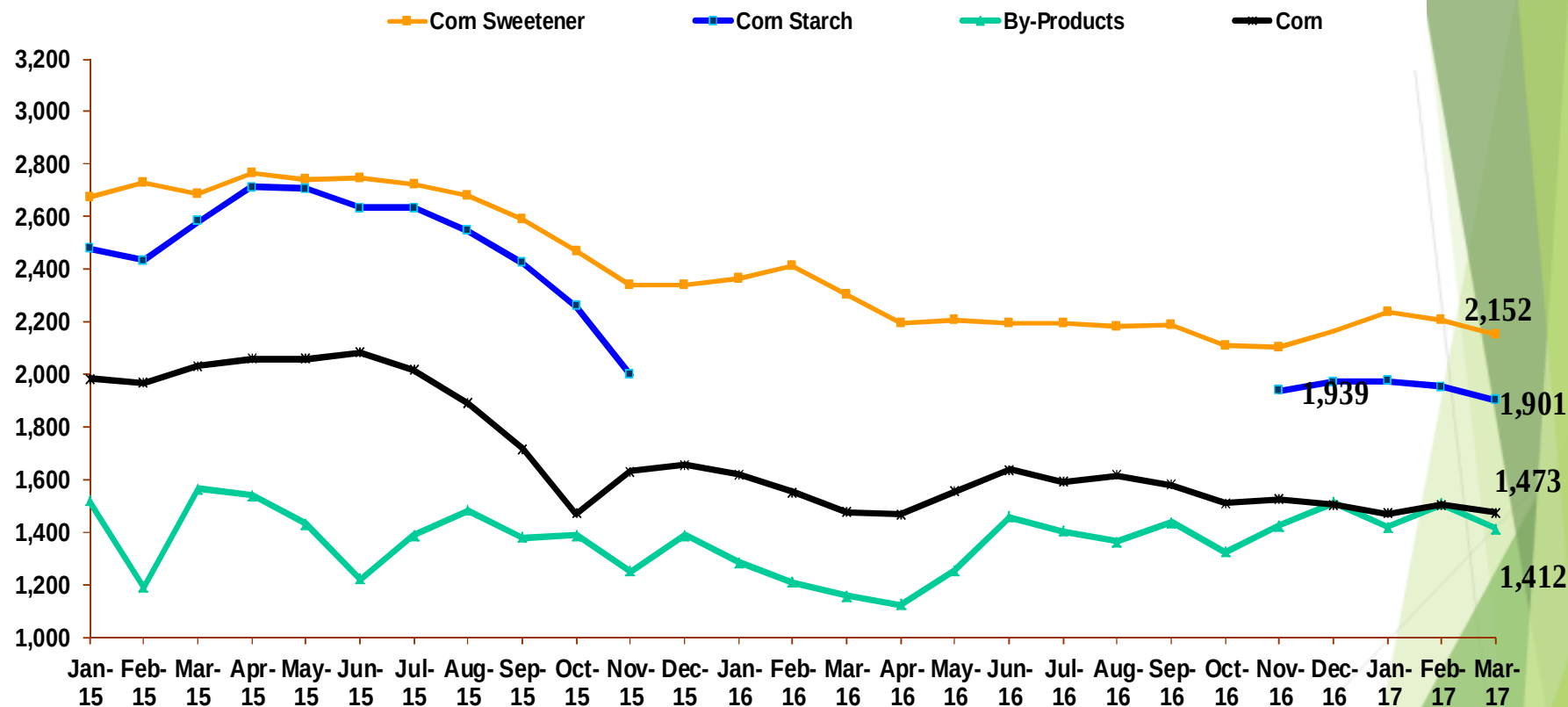
Price Comparisons to Cane Sugar



- 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 March 2017) are as follows:
 - Fructose: RMB 2,393/tonne
 - Dextrose: RMB 2,303/tonne
 - High Maltose Syrup: RMB 1,988/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



1QFY17 Financial Highlights

- 💡 **Group revenue increased by 9.7% y-o-y**
- 💡 **Gross profit margin of 13.1%, 24.8% higher y-o-y;**
- 💡 **Net loss of RMB 4.4 million, decreased by 69.2% compared with net loss of RMB 14.3 million in 1QFY16**
- 💡 **Net loss margin of 0.9%, decreased significantly compared with net loss margin of 71.9% in 1QFY16**
- 💡 **Cash and cash equivalents of RMB 387.8 million as at 31 March, 2017 (RMB 301.2 million as at 31 December, 2016)**

Income Statement Highlights

RMB'mil	1QFY17	y-o-y Chg (%)	4QFY16	q-o-q Chg (%)
Revenue	487.5	9.7	537.5	(9.3)
Gross Profit	63.7	36.8	66.5	(4.2)
(Loss)/Profit Before Tax	(4.1)	(67.6)	45.9	(108.9)
Net (Loss)/Profit	(4.4)	(69.2)	44.7	(109.8)
Gross Profit Margin	13.1%	24.8	12.4%	5.6
Net (Loss)/Profit Margin	(0.9%)	(71.9)	8.3%	(110.8)

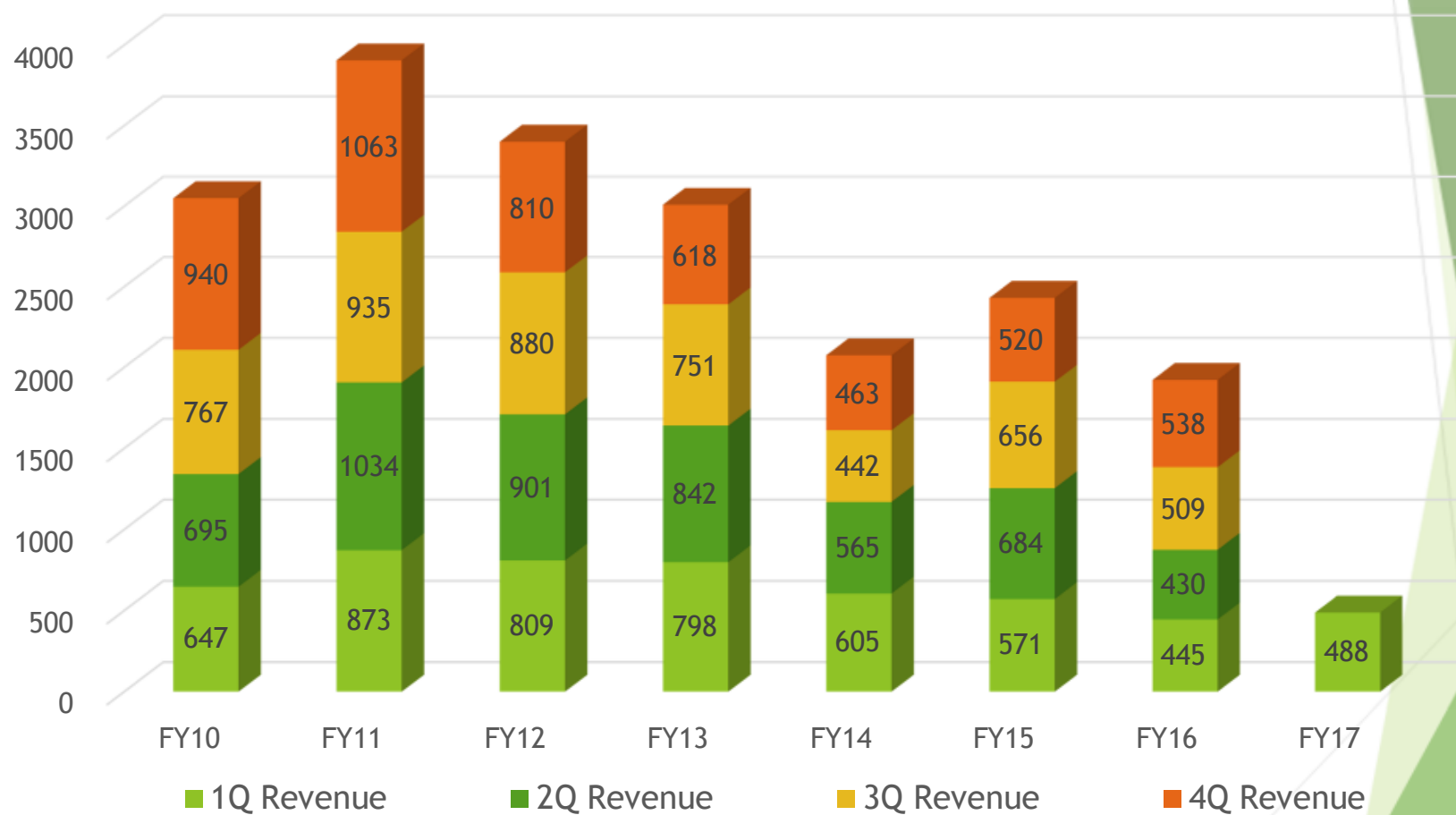
1Q: Three months ended March 31

4Q: Three months ended December 31

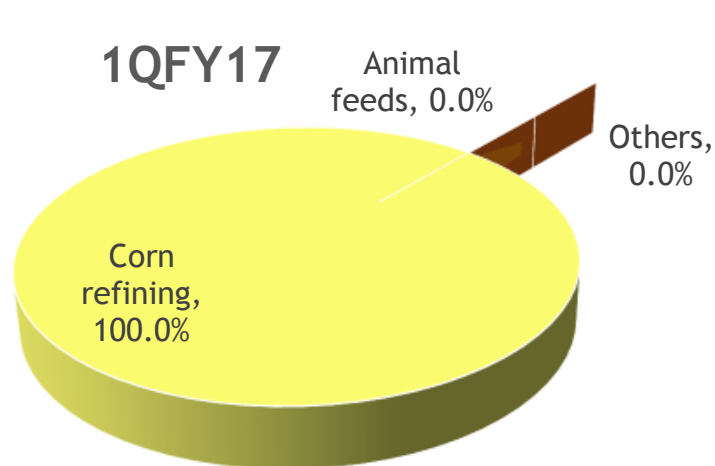
FY: Year ended December 31

Revenue

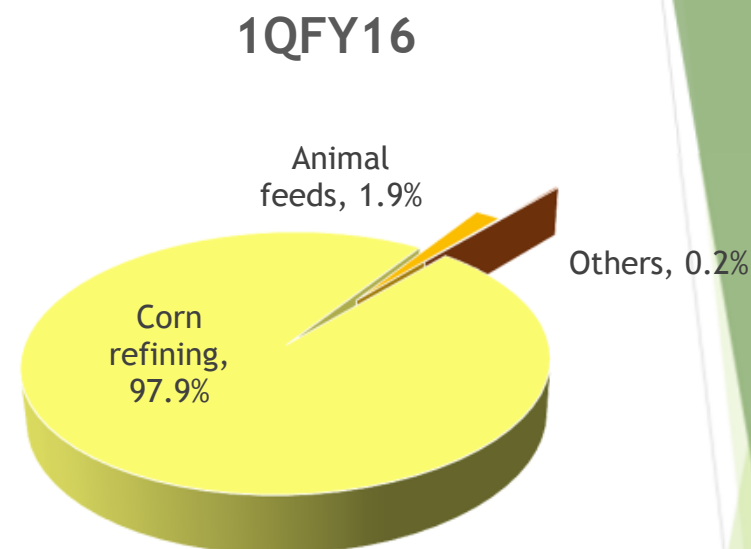
RMB'mil



Revenue by Product Categories



Total Revenue: RMB 487.5 mil

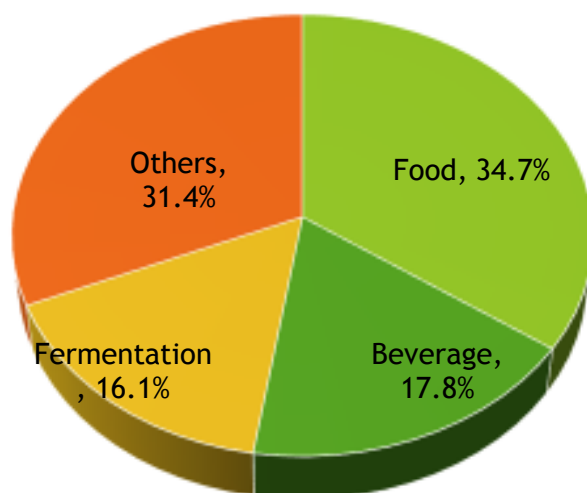


Total Revenue: RMB444.5mil

	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	12.0%	20.7%	(3.6%)	13.0%	20.4%
Animal feed	(100.0%)	(100.0%)	NA	-	NA

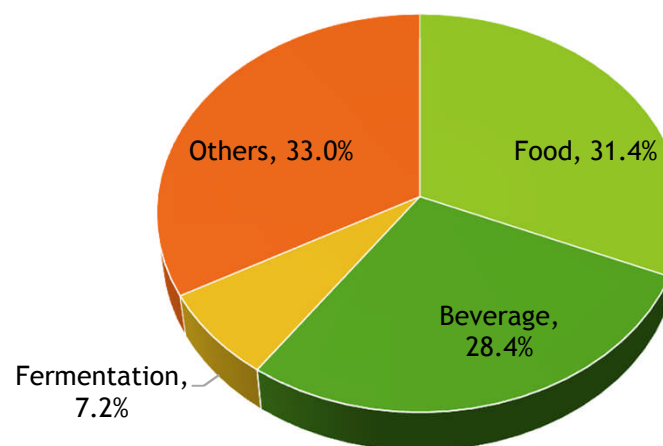
Revenue by Industry

1QFY17



Total Revenue: RMB 487.5 mil

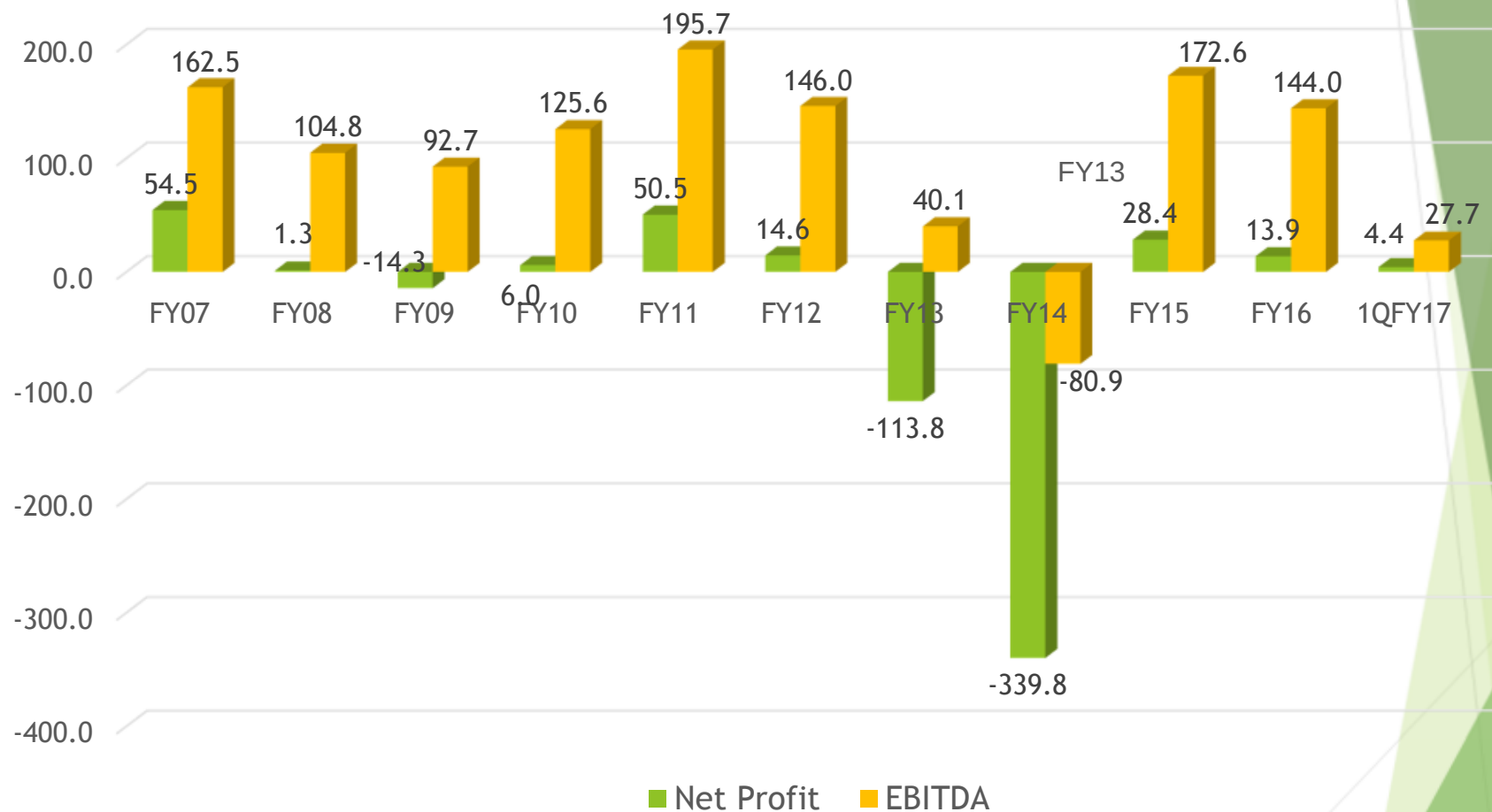
1QFY16



Total Revenue: RMB444.5mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 1QFY17	As at end FY16	Chg (%)
Current Assets	860.4	779.5	10.4
- Cash & Cash Equivalents	387.8	301.2	28.8
- Inventories	181.0	175.6	3.1
- Trade and Other Receivables	290.5	301.9	(3.8)
Total Assets	1,554.4	1,483.2	4.8
Current Liabilities	705.2	670.7	5.1
- Trade and Other Payables	315.3	332.7	(5.2)
- Short Term Borrowings	382.0	330.0	15.8
Long Term Borrowings	677.0	640.0	5.8
Total Liabilities	1,424.1	1,348.5	5.6

Balance Sheet Highlights

RMB'mil	As at end 1QFY17	As at end FY16	Chg (%)
Inventory Turnover Days	38	40	(5.0)
Receivables Turnover Days	34	35	(2.9)
Payables Turnover Days	48	47	2.1
Debt to Equity Ratio [#]	8.13	7.2	12.9
Price to Book Value [*]	0.68	0.66	3.0

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

^{*} *Based on share price of RMB 0.15 as at April 21, 2017*

Cash Flow Statement Highlights

RMB'mil	1QFY17	1QFY16	Chg (%)
Net Cash Generated from Operating Activities	17.5	24.3	(28.0)
Net Cash (Used in) Investing Activities	(6.5)	(32.8)	(80.2)
Net Cash (Used in)/Generated from Financing Activities	(2.4)	31.3	(107.7)
Net Increase in Cash & Bank Balances	8.6	22.8	(62.3)
Cash & Bank Balances at Beginning of Period	155.2	81.9	89.5
Cash & Bank Balances at End of Period	163.8	104.7	56.4

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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