



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

A Mouth-Watering China Consumption Story



Corporate Presentation and 2QFY16 Results

August 11, 2016

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Business Overview

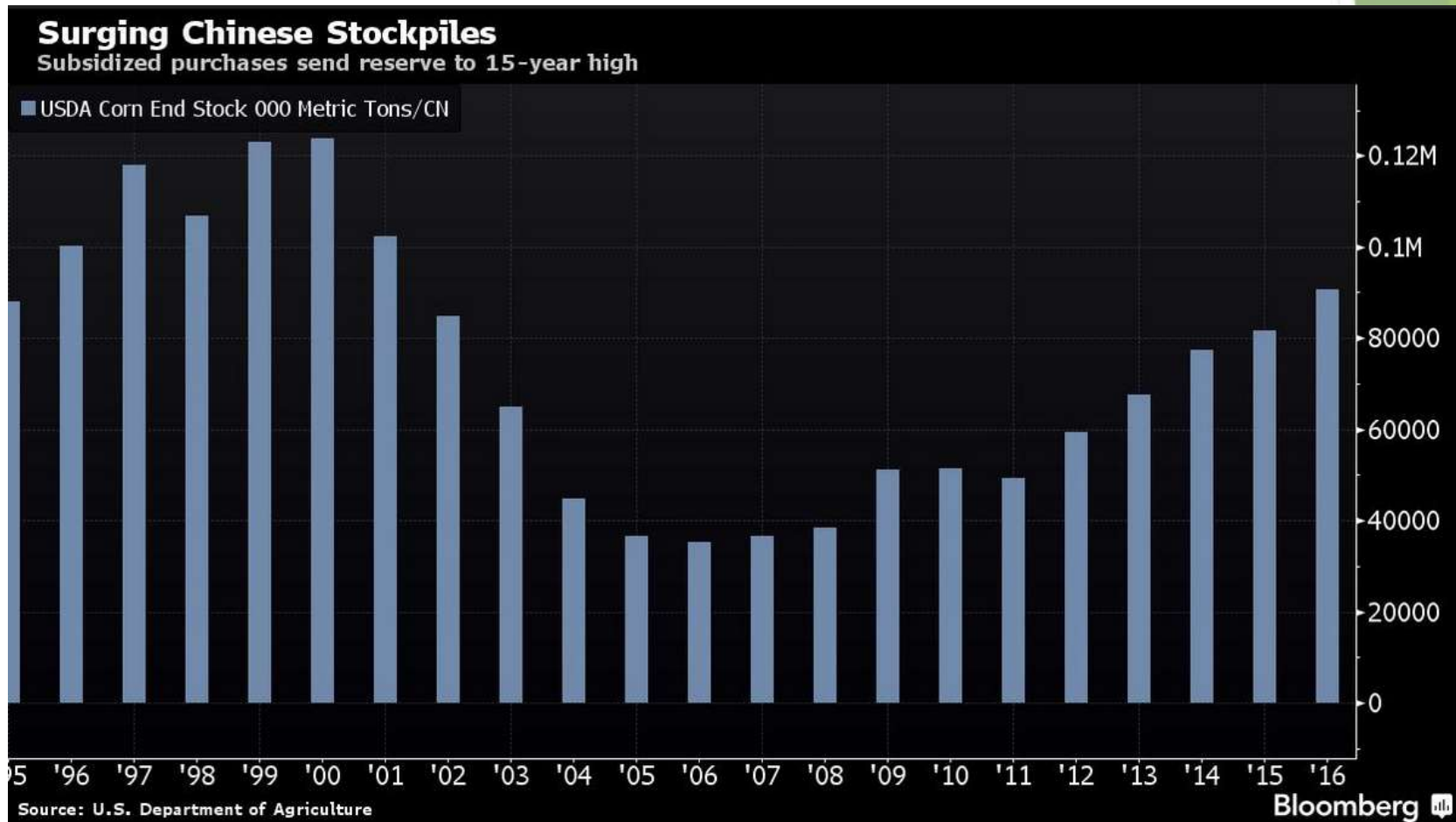


Operating Climate

- **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**
- **However, an 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 have been affected by sluggish demand and stiff competition**
- **Production of animal feeds, corn oil, and amino acids suspended since 1Q2016 as they were not profitable**
- **Sales volume in the first half of 2016 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

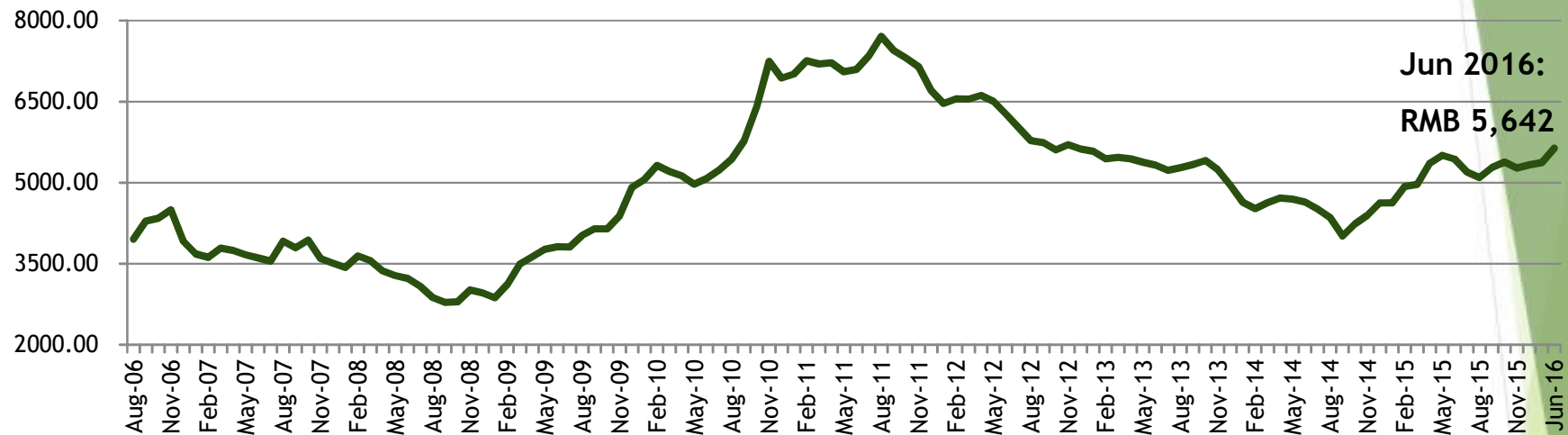


Source: Bloomberg, <http://www.bloomberg.com/news/articles/2015-11-03/drought-turning-china-hope-for-record-crop-into-shrunken-harvest>

Price Comparisons to Cane Sugar

RMB/tonnes

Cane sugar pricing in Nanning City, China



Jun 2016:

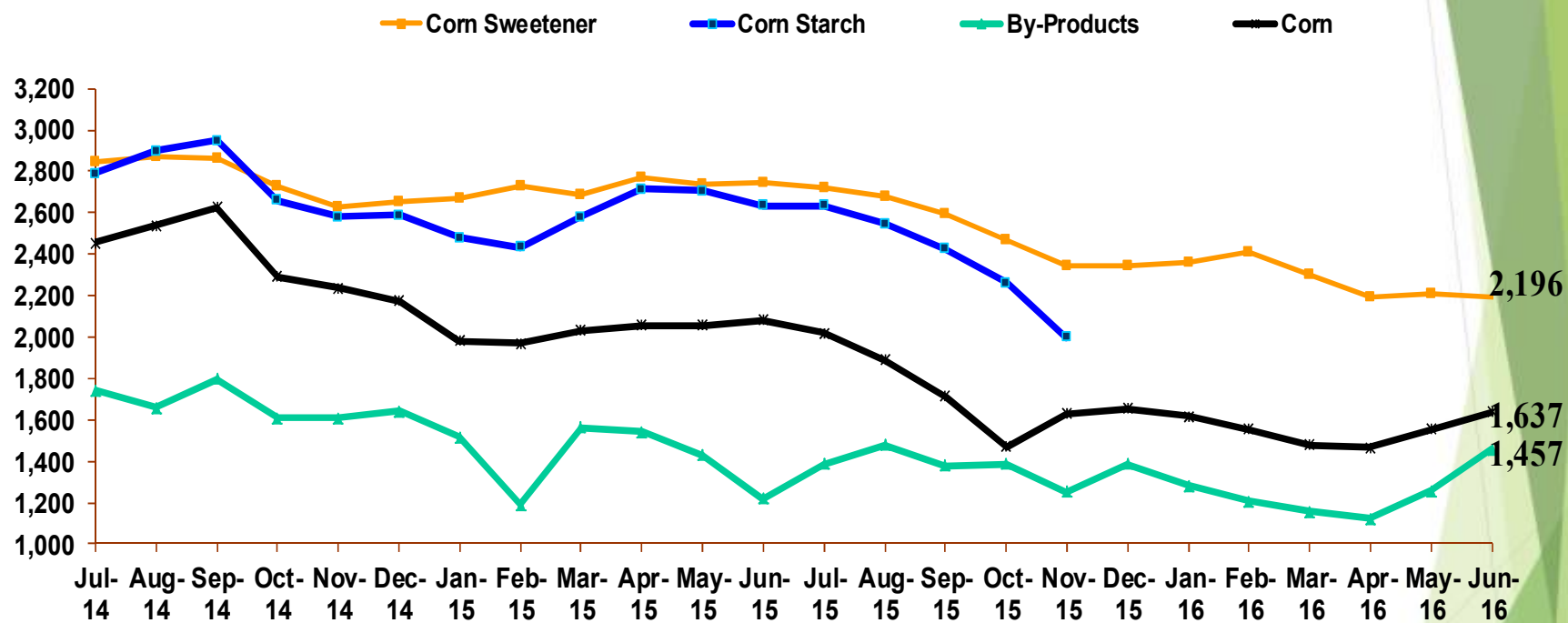
RMB 5,642

- 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 June 2016) are as follows:
 - Fructose: RMB 2,403/tonne
 - Dextrose: RMB 2,287/tonne
 - High Maltose Syrup: RMB 2,023/tonne

Source: Company, 中国昆商糖网

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



1HFY16 Financial Highlights

- 💡 **Group Revenue decreased by 30.3% y-o-y**
- 💡 **Gross profit margin of 11.0%, 14.6% higher y-o-y;**
- 💡 **Net Loss of RMB 27.2 million, decreased by 278.4% compared with net profit of RMB 15.2 million in 1HFY16**
- 💡 **Net Loss Margin of 3.1%, decreased significantly compared with net profit margin of 1.2% in 1HFY16**
- 💡 **Cash and cash equivalents of RMB 302.4 million as at 30 June, 2016 (RMB166.9 million as at 31 December, 2015)**

Income Statement Highlights

RMB'mil	2QFY16	y-o-y Chg (%)	q-o-q Chg (%)	1HFY16	y-o-y Chg (%)
Revenue	430.2	(37.1)	(3.2)	874.7	(30.3)
Gross Profit	50.0	(20.7)	7.3	96.6	(20.1)
Loss Before Tax	(11.7)	(242.1)	(8.3)	24.4	(231.1)
Net Loss	(12.9)	(304.0)	(9.5)	(27.2)	(278.4)
Gross Profit Margin	11.6%	26.1	10.5	11.0%	14.6
Net Loss Margin	(3.0%)	(433.3)	(6.3)	(3.1%)	(358.3)

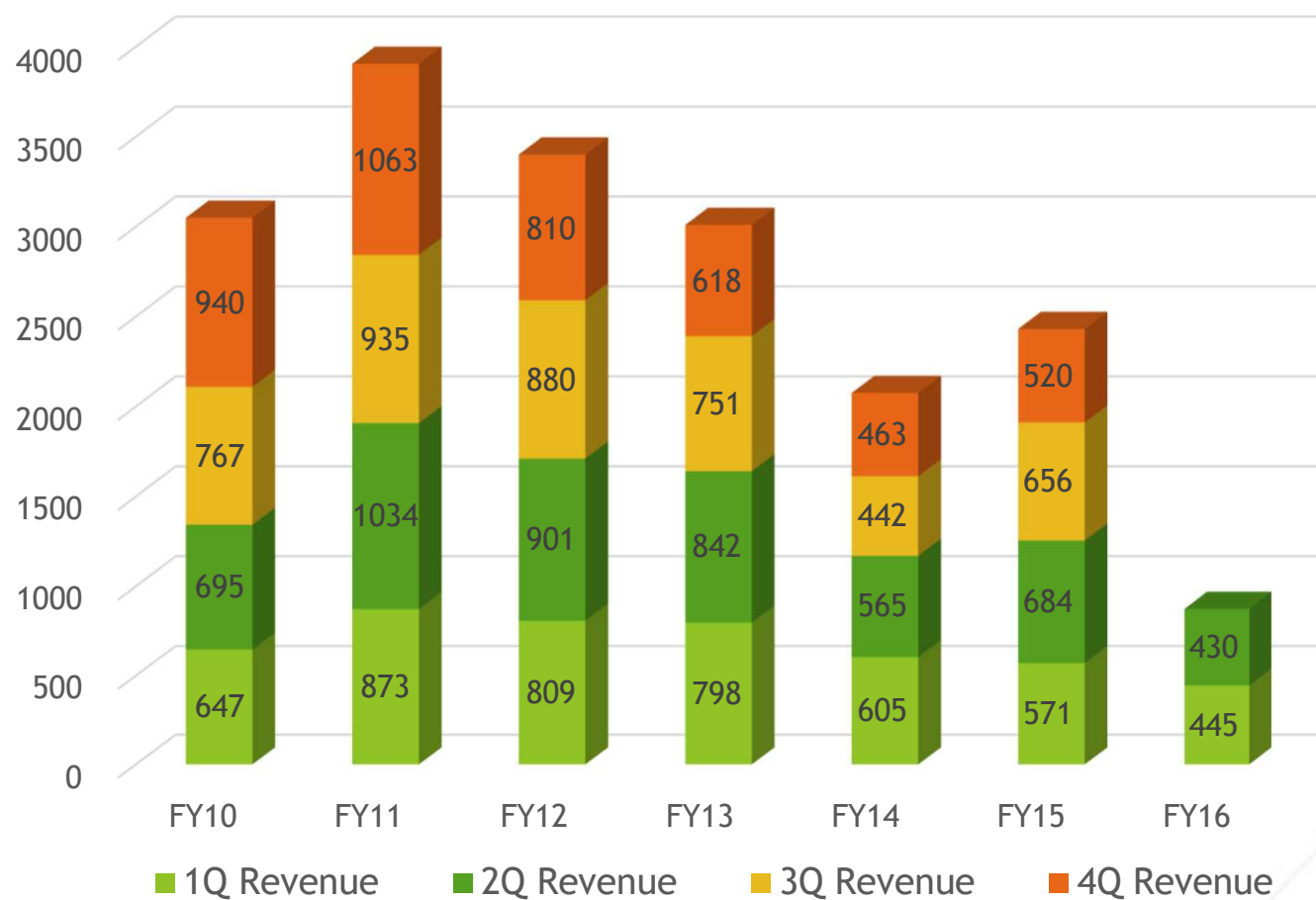
2Q: Three months ended June 30

1H: Six months ended June 30

FY: Year ended December 31

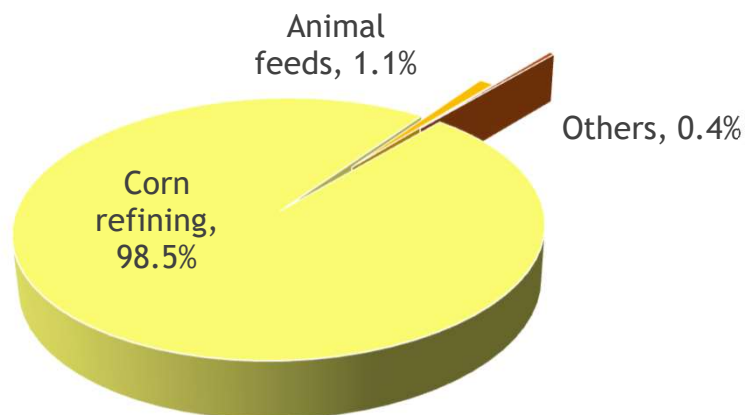
Revenue

RMB'mil



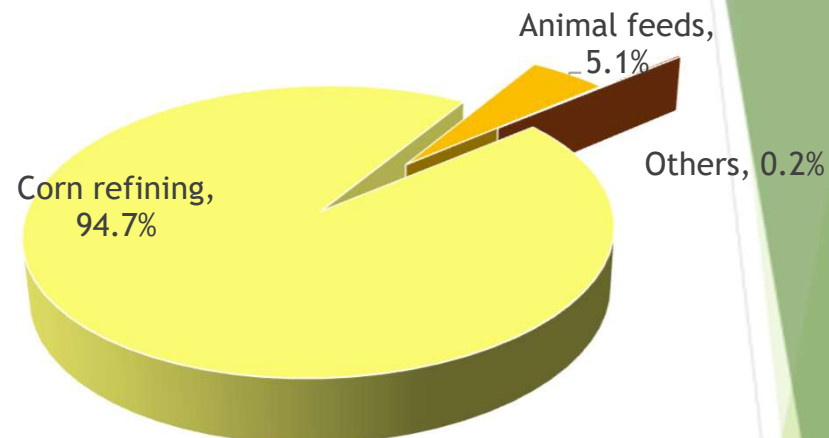
Revenue by Product Categories

1HFY16



Total Revenue: RMB 874.7 mil

1HFY15

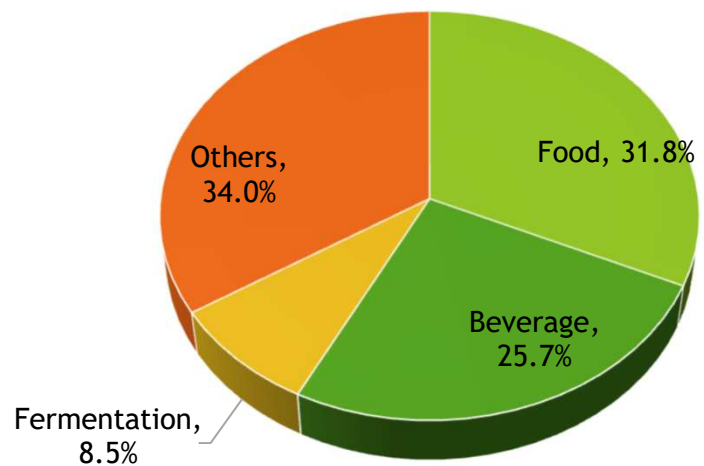


Total Revenue: RMB1,254.9 mil

	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	(27.5%)	(14.5%)	(14.6%)	11.3%	11.9%
Animal feed	(85.1%)	(82.2%)	(16.1%)	(12.9%)	(2680.0%)

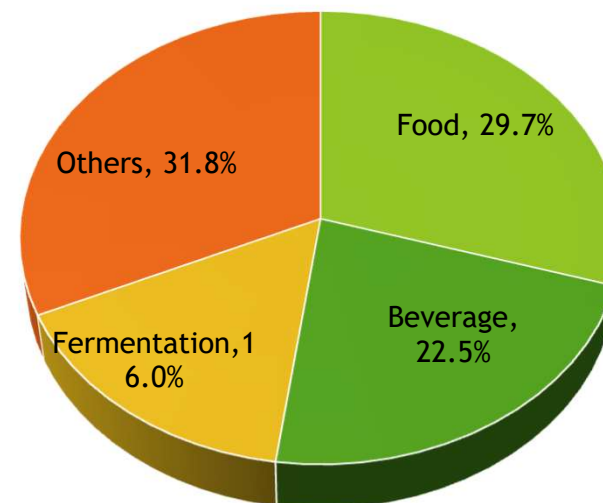
Revenue by Industry

1HFY16



Total Revenue: RMB 874.7 mil

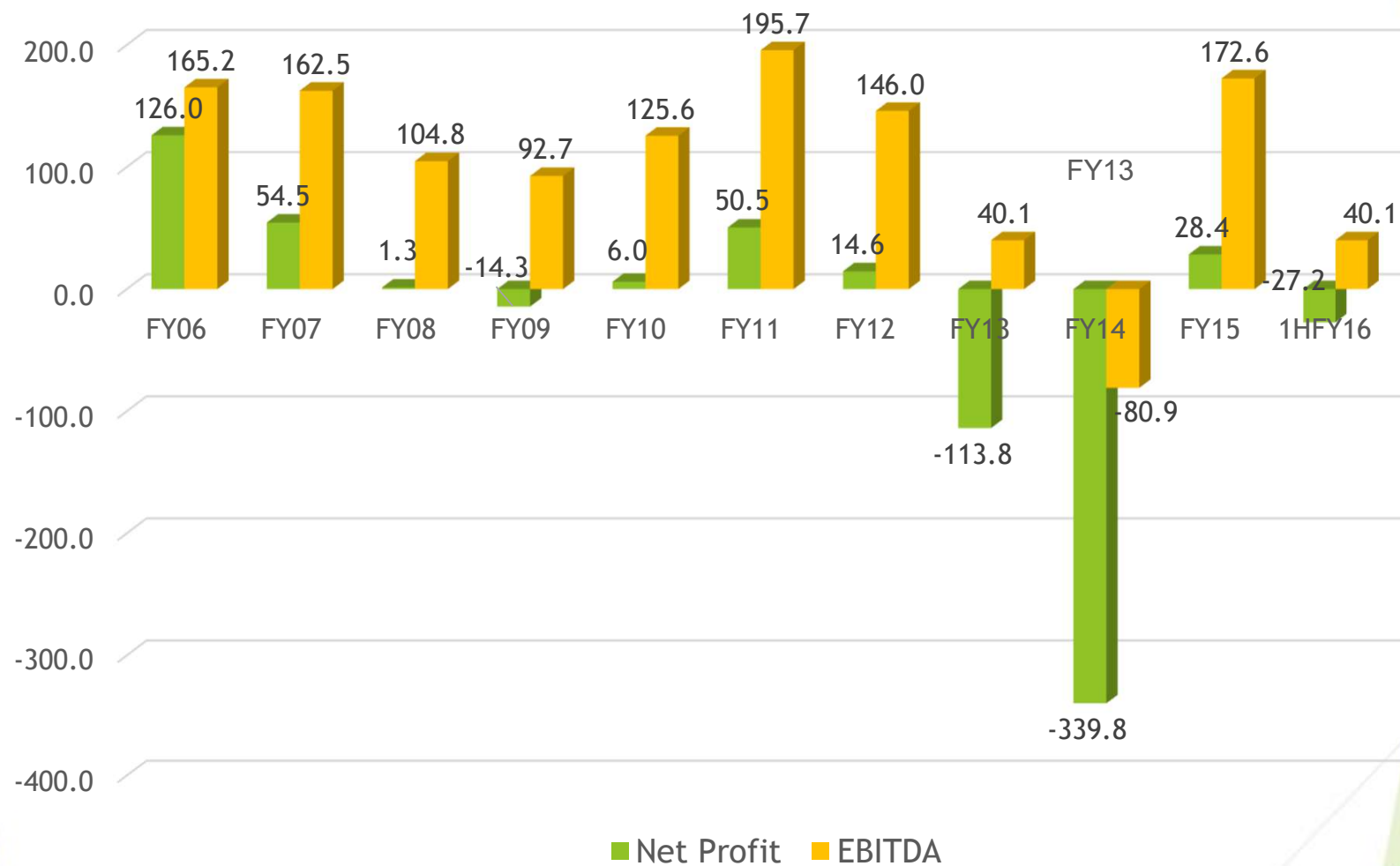
1HFY15



Total Revenue: RMB 1,254.9 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 1HFY16	As at end FY15	Chg (%)
Current Assets	762.0	591.2	28.9
- Cash & Cash Equivalents	302.4	166.9	81.2
- Inventories	182.9	198.2	(7.7)
- Trade and Other Receivables	276.6	226.1	22.4
Total Assets	1,457.1	1,285.0	13.4
Current Liabilities	759.1	560.6	35.4
- Trade and Other Payables	329.1	286.1	15.0
- Short Term Borrowings	423.0	265.0	59.6
Long Term Borrowings	572.0	562.4	1.7
Total Liabilities	1,363.5	1,158.4	17.7

Balance Sheet Highlights

RMB'mil	As at end 1HFY16	As at end FY15	Chg (%)
Inventory Turnover Days	45	37	21.6
Receivables Turnover Days	37	27	37.0
Payables Turnover Days	53	36	47.2
Debt to Equity Ratio [#]	10.62	6.54	62.4
Price to Book Value [*]	0.75	0.84	(10.7)

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

^{*} *Based on share price of RMB 0.118 as at July 22, 2016*

Cash Flow Statement Highlights

RMB'mil	1HFY16	1HFY15	Chg (%)
Net Cash Generated from Operating Activities	40.2	71.2	(43.5)
Net Cash (Used in) Investing Activities	(41.0)	(8.9)	361.7
Net Cash Generated from Financing Activities	11.3	84.4	(86.6)
Net Increase in Cash & Bank Balances	10.5	146.6	(92.8)
Cash & Bank Balances at Beginning of Period	81.9	50.6	61.8
Cash & Bank Balances at End of Period	92.4	197.3	(53.1)

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.**
- **Targetting 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**
- **Long-term organic growth driven by increasing consumption levels in China**
- **Cost savings from suspension of unprofitable products**
- **Consolidation of production facilities in Shandong, with flexible production lines, should result in economies of scale and lower overhead costs**

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