



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
3QFY16 Results**

November 11, 2016

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Business Overview

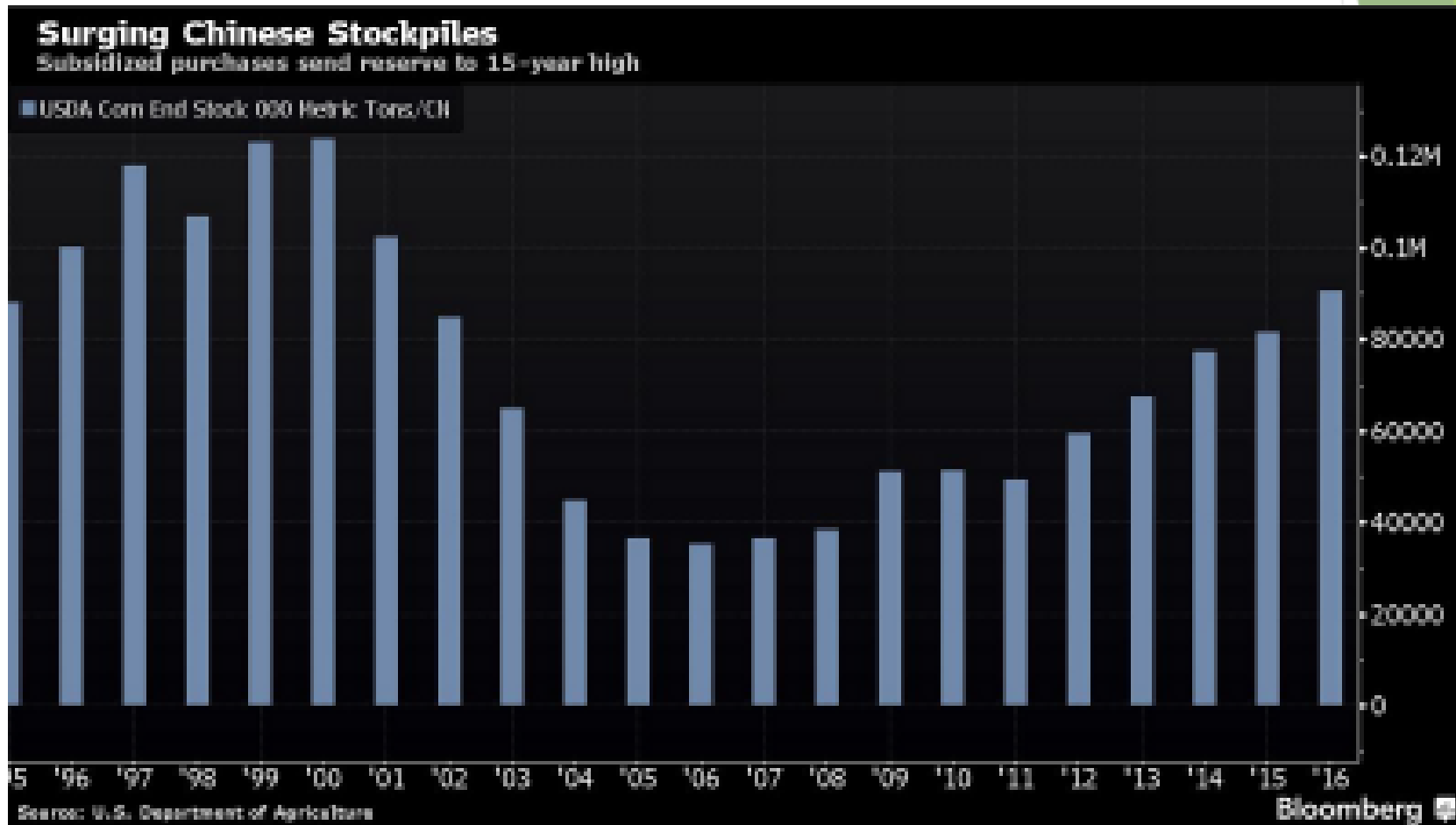


Operating Climate

- **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 and selling prices 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 9MFY16 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

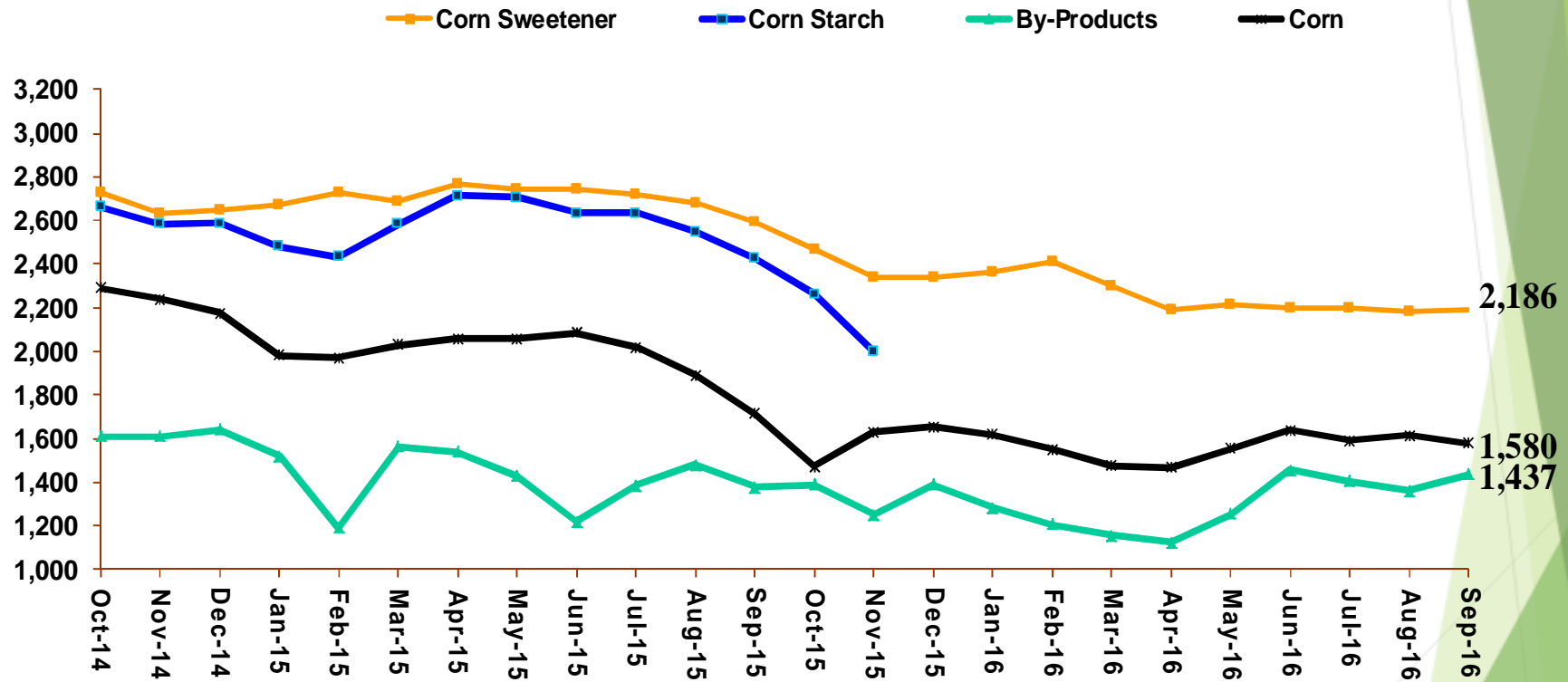


Sep 2016:
RMB6180

- 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 September 2016) are as follows:
 - Fructose: RMB 2,456/tonne
 - Dextrose: RMB 2,161/tonne
 - High Maltose Syrup: RMB 2,055/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



9MFY16 Financial Highlights

- **Group Revenue decreased by 27.6% y-o-y**
- **Gross profit margin of 10.5%, 4.0% higher y-o-y;**
- **Net Loss of RMB 30.9 million, decreased by 251.1% compared with net profit of RMB 20.4 million in 9MFY15**
- **Net Loss Margin of 2.2%, decreased significantly compared with net profit margin of 1.1% in 9MFY15**
- **Cash and cash equivalents of RMB 354.5 million as at 30 September, 2016 (RMB166.9 million as at 31 December, 2015)**

Income Statement Highlights

RMB'mil	3QFY16	y-o-y Chg (%)	q-o-q Chg (%)	9MFY16	y-o-y Chg (%)
Revenue	509.6	(22.3)	18.5	1,384.3	(27.6)
Gross Profit	49.3	(30.8)	(1.3)	145.9	(24.1)
Loss Before Tax	(2.6)	(136.4)	(77.8)	(27.0)	(204.9)
Net Loss	(3.7)	(171.0)	(71.5)	(30.9)	(251.1)
Gross Profit Margin	9.7%	(11.0)	(16.4)	10.5%	4.0
Net Loss Margin	(0.7%)	(187.5)	(76.7)	(2.2%)	(300.0)

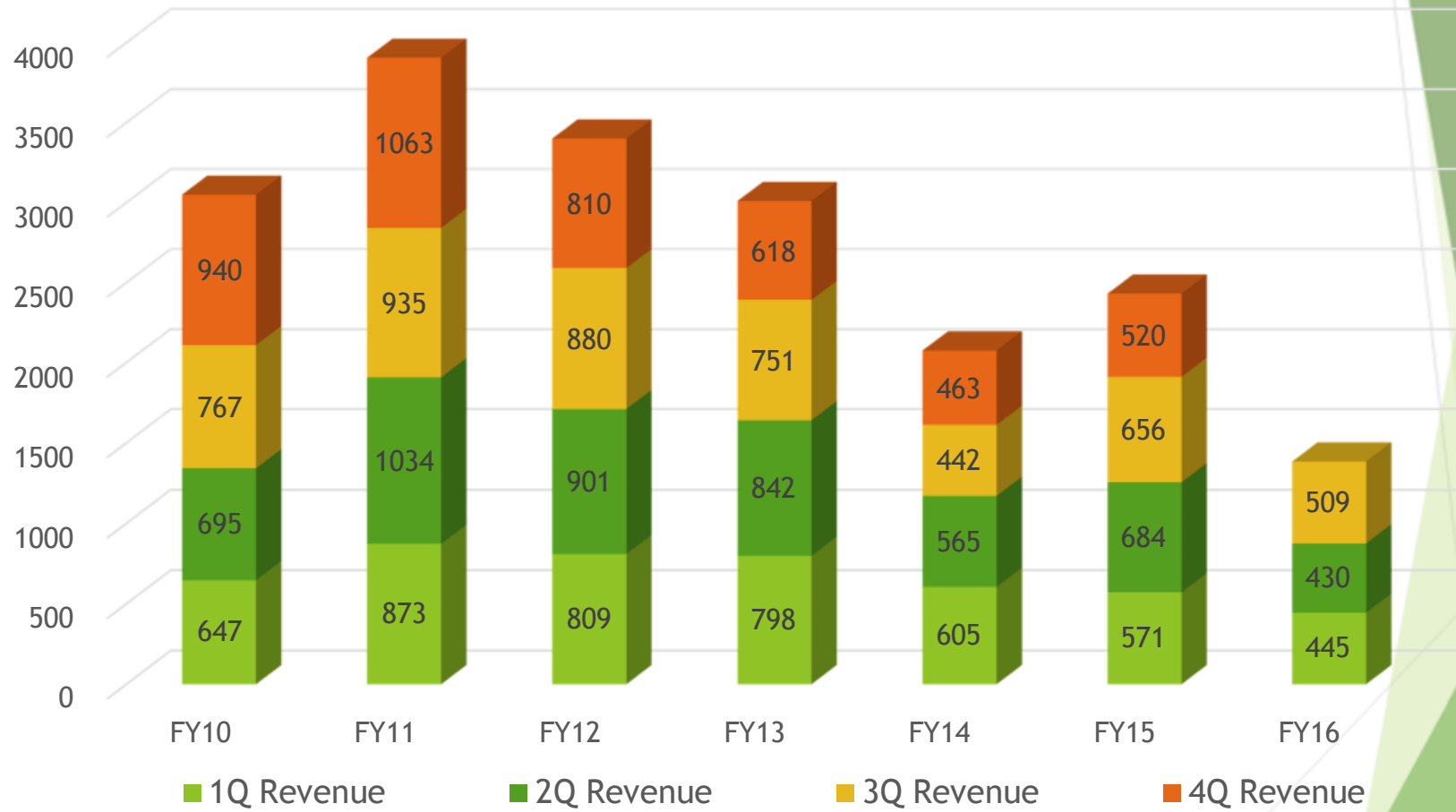
3Q: Three months ended September 30

9M: Nine months ended September 30

FY: Year ended December 31

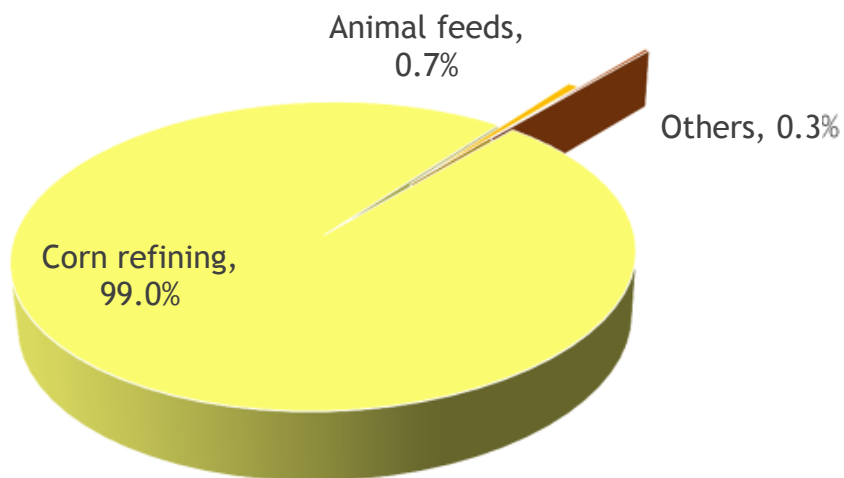
Revenue

RMB'mil



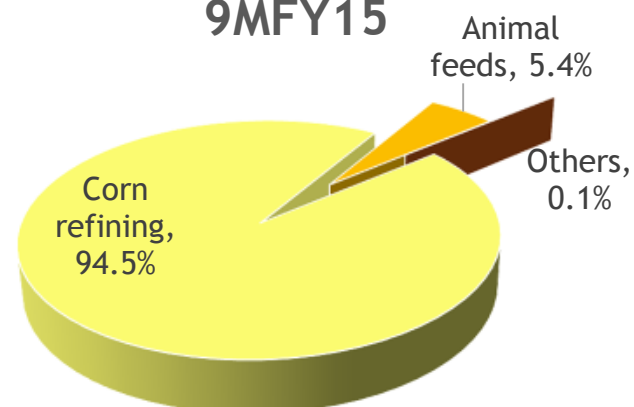
Revenue by Product Categories

9MFY16



Total Revenue: RMB 1,384.3 mil

9MFY15

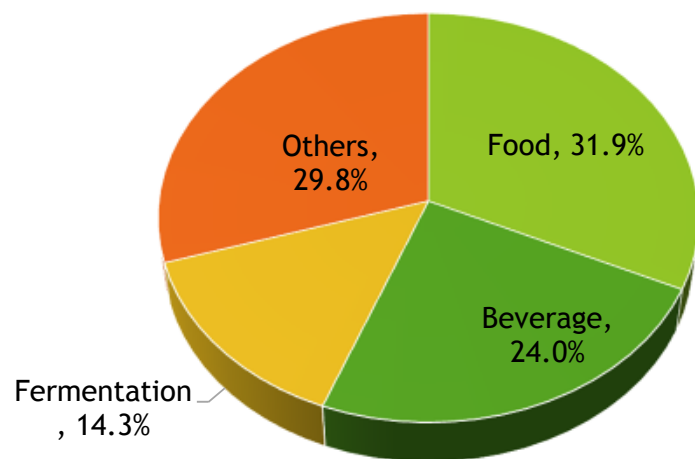


Total Revenue: RMB 1,910.8 mil

	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	(24.0%)	(10.6%)	(14.9%)	10.7%	1.9%
Animal feed	(90.8%)	(89.2%)	(14.4%)	(12.9%)	(1272.7%)

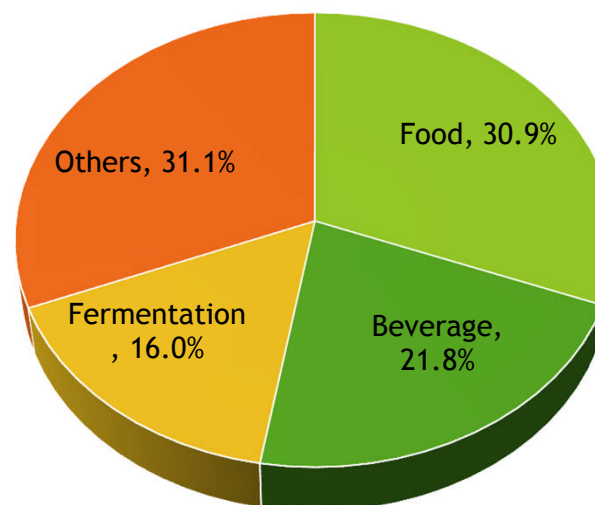
Revenue by Industry

9MFY16



Total Revenue: RMB 1,384.3 mil

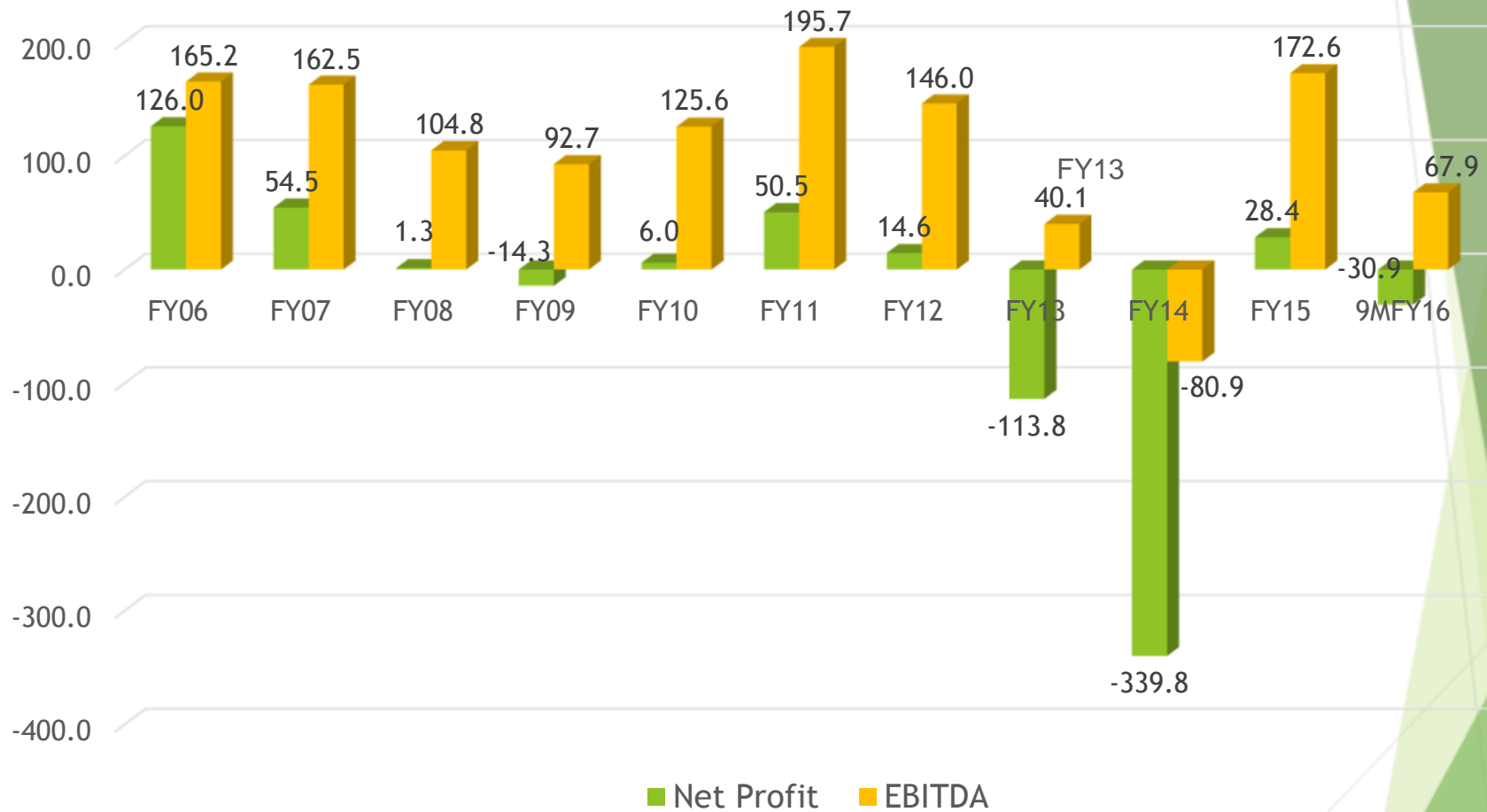
9MFY15



Total Revenue: RMB 1,910.8 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 9MFY16	As at end FY15	Chg (%)
Current Assets	743.0	591.2	25.7
- Cash & Cash Equivalents	354.5	166.9	112.4
- Inventories	140.3	198.2	(29.2)
- Trade and Other Receivables	248.2	226.1	9.8
Total Assets	1,490.8	1,285.0	16.0
Current Liabilities	721.8	560.6	28.8
- Trade and Other Payables	308.3	286.1	7.8
- Short Term Borrowings	406.0	265.0	53.2
Long Term Borrowings	645.0	562.4	14.7
Total Liabilities	1,400.8	1,158.4	20.9

Balance Sheet Highlights

RMB'mil	As at end 9MFY16	As at end FY15	Chg (%)
Inventory Turnover Days	37	37	-
Receivables Turnover Days	37	27	37.0
Payables Turnover Days	45	36	25.0
Debt to Equity Ratio [#]	11.68	6.54	78.6
Price to Book Value [*]	0.71	0.84	(15.5)

Total interest bearing loans / Total equity

** Based on share price of RMB 0.107 as at October 12, 2016*

Cash Flow Statement Highlights

RMB'mil	9MFY16	9MFY15	Chg (%)
Net Cash Generated from Operating Activities	114.9	110.6	3.9
Net Cash (Used in) Investing Activities	(106.8)	(11.6)	820.7
Net Cash Generated from Financing Activities	78.5	27.2	188.6
Net Increase in Cash & Bank Balances	86.6	126.2	(31.4)
Cash & Bank Balances at Beginning of Period	81.9	50.6	61.9
Cash & Bank Balances at End of Period	168.5	176.8	(4.7)

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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