



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
2QFY17 Results**

August 14, 2017

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Business Overview

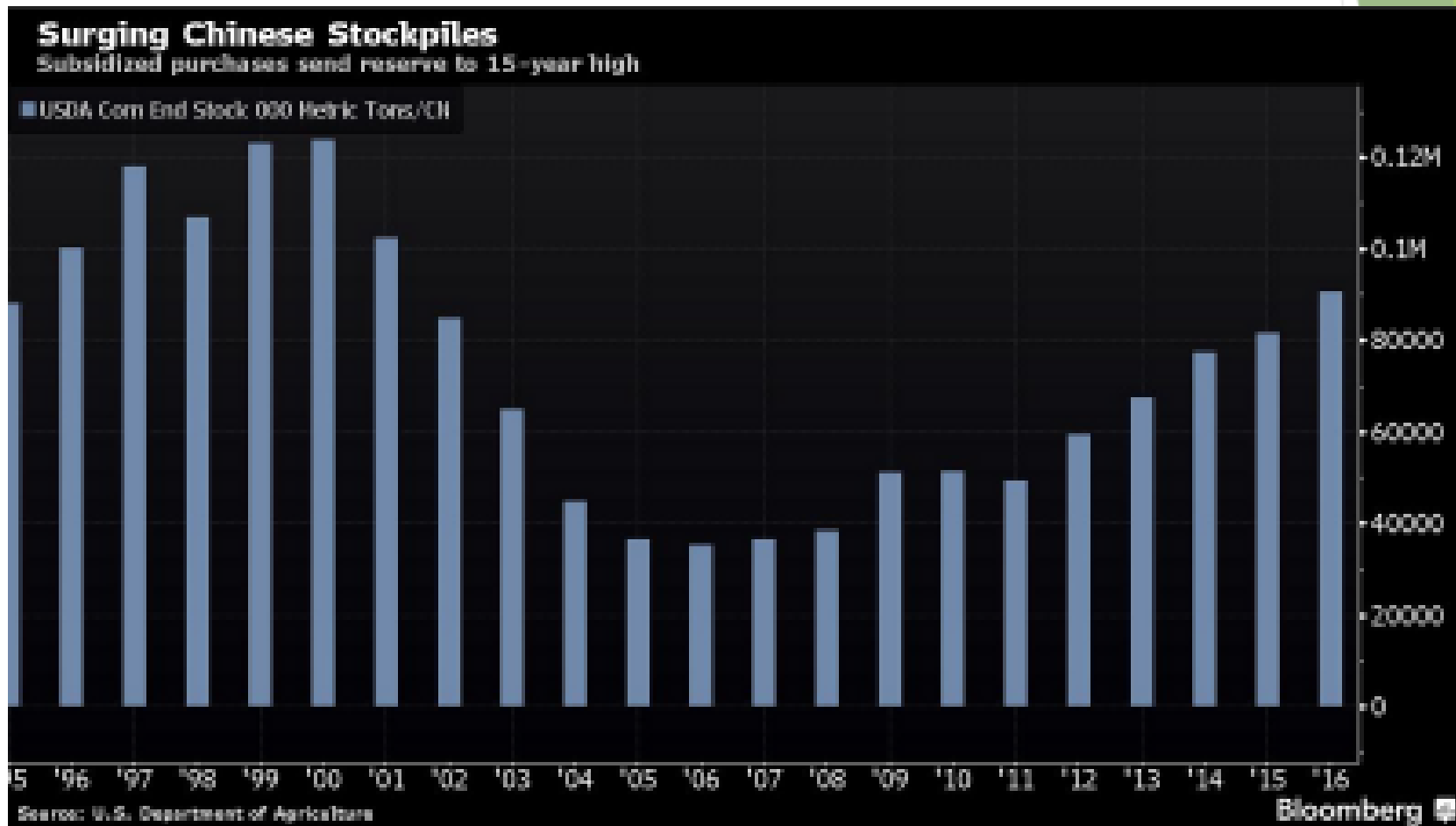


Operating Climate

- **Government continues to push for consumer-driven economic model to stimulate its domestic economy but the effect thus far remain unexciting.**
- **The Group expects the market conditions in the coming months to be challenging due to stiff competition among the corn sweetener players in the industry caused by downward pressure on all its corn refining products.**
- **The higher coal cost and the average raw corn material prices are expected to affect the profit margins of the Group**
- **The changes in the government policies and hence the uncertainty 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

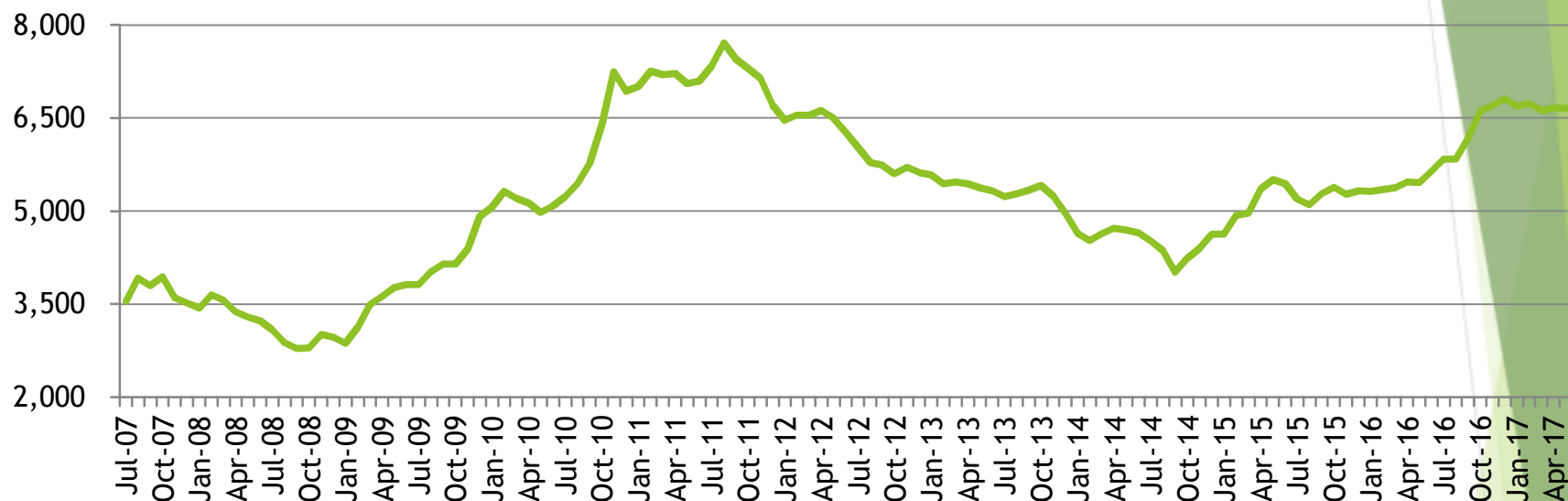


Source: Bloomberg, <http://www.bloomberg.com/news/articles/2015-11-03/drought-turning-china-hope-for-record-crop-into-shrunk-harvest>

Price Comparisons to Cane Sugar

RMB/tonnes

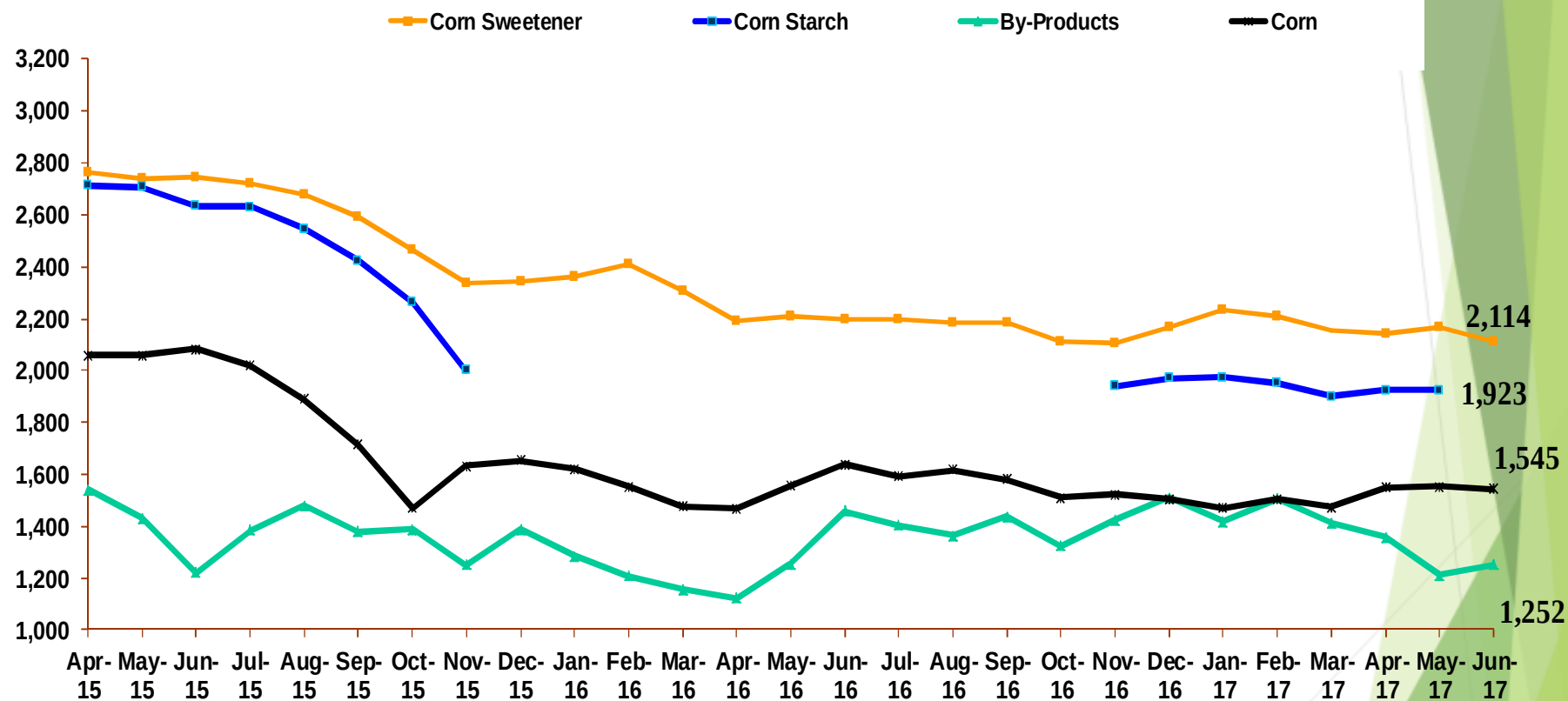
Cane sugar pricing in Nanning City, China



- 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 June 2017) are as follows:
 - Fructose: RMB 2,298/tonne
 - Dextrose: RMB 2,105/tonne
 - High Maltose Syrup: RMB 1,988/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



1HFY17 Financial Highlights

- 💡 **Group revenue increased by 13.9% y-o-y**
- 💡 **Gross profit margin of 10.8%, 1.8% lower y-o-y;**
- 💡 **Net profit of RMB 35.3 million, increased by 230.0% compared with net loss of RMB 27.2 million in 1HFY16**
- 💡 **Net profit margin of 3.5%, increased significantly compared with net loss margin of 3.1% in 1HFY16**
- 💡 **Cash and cash equivalents of RMB 362.4 million as at 30 June, 2017 (RMB 301.2 million as at 31 December, 2016)**

Income Statement Highlights

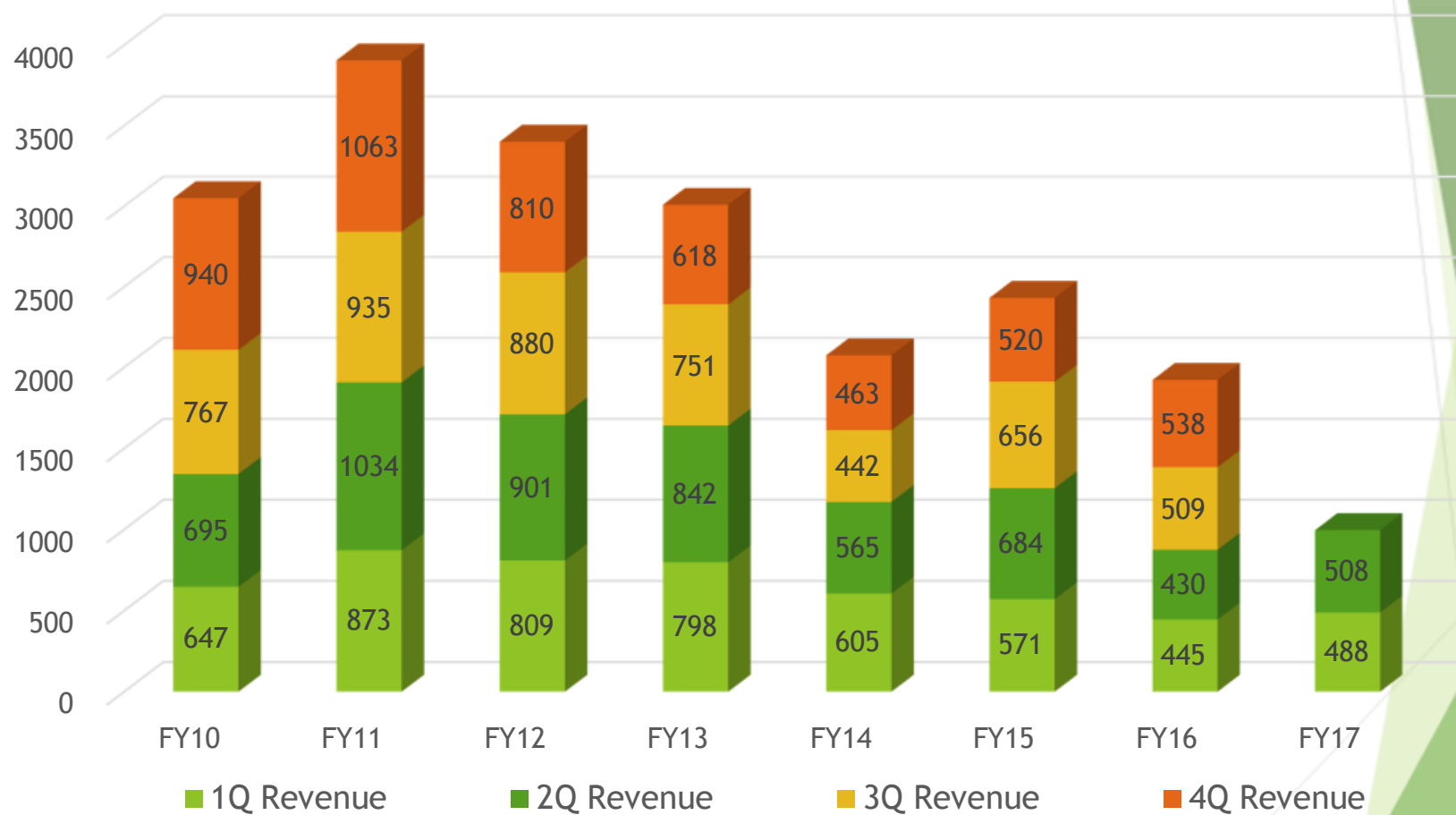
RMB'mil	2QFY17	y-o-y Chg (%)	q-o-q Chg (%)	1H FY17	y-o-y Chg (%)
Revenue	508.6	18.2	4.3	996.1	13.9
Gross Profit	44.2	(11.6)	(30.6)	107.9	11.7
Profit/(Loss) Before Tax	40.0	442.1	1,068.5	35.9	246.8
Net Profit/(Loss)	40.0	407.6	1,004.5	35.3	230.0
Gross Profit Margin	8.7%	(25.0)	(33.6)	10.8%	(1.8)
Net Profit/(Loss)Margin	7.8	360.0	966.7	3.5%	212.9

2Q: Three months ended June 30

1H: Six months ended June 30

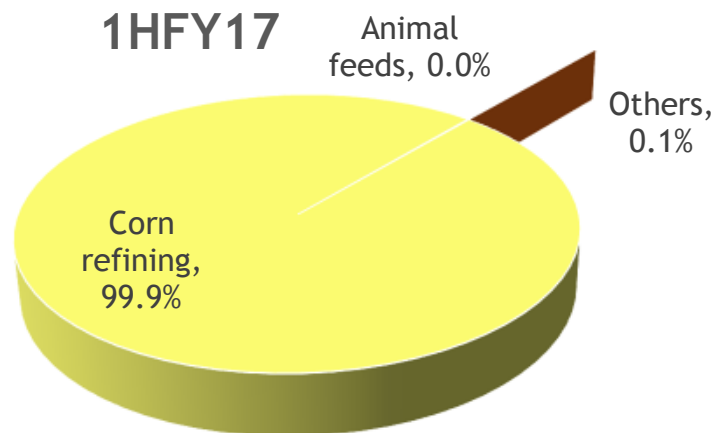
Revenue

RMB'mil



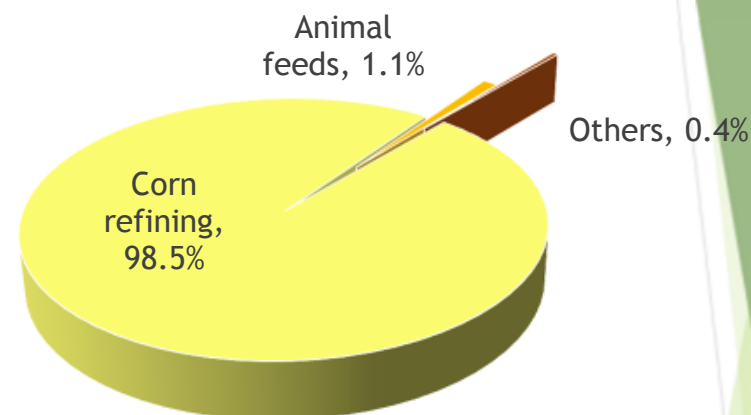
Revenue by Product Categories

1HFY17



Total Revenue: RMB 996.1 mil

1HFY16

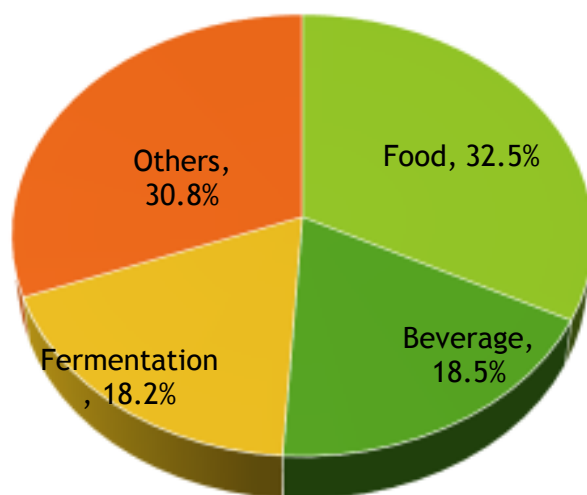


Total Revenue: RMB 874.7 mil

	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	15.5%	22.1%	(2.7%)	10.8%	(4.4%)
Animal feed	(100.0%)	(100.0%)	NA	-	NA

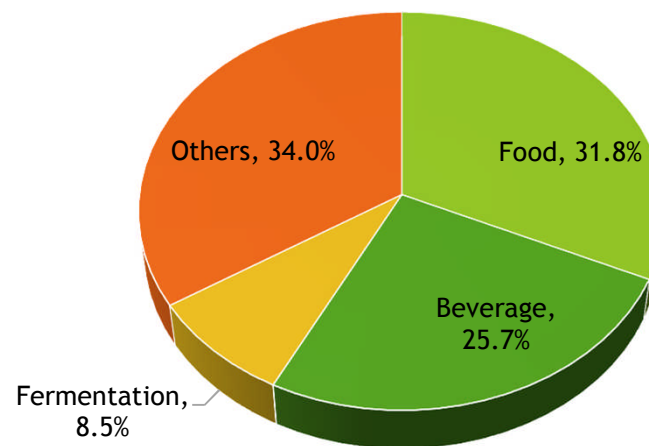
Revenue by Industry

1HFY17



Total Revenue: RMB 996.1 mil

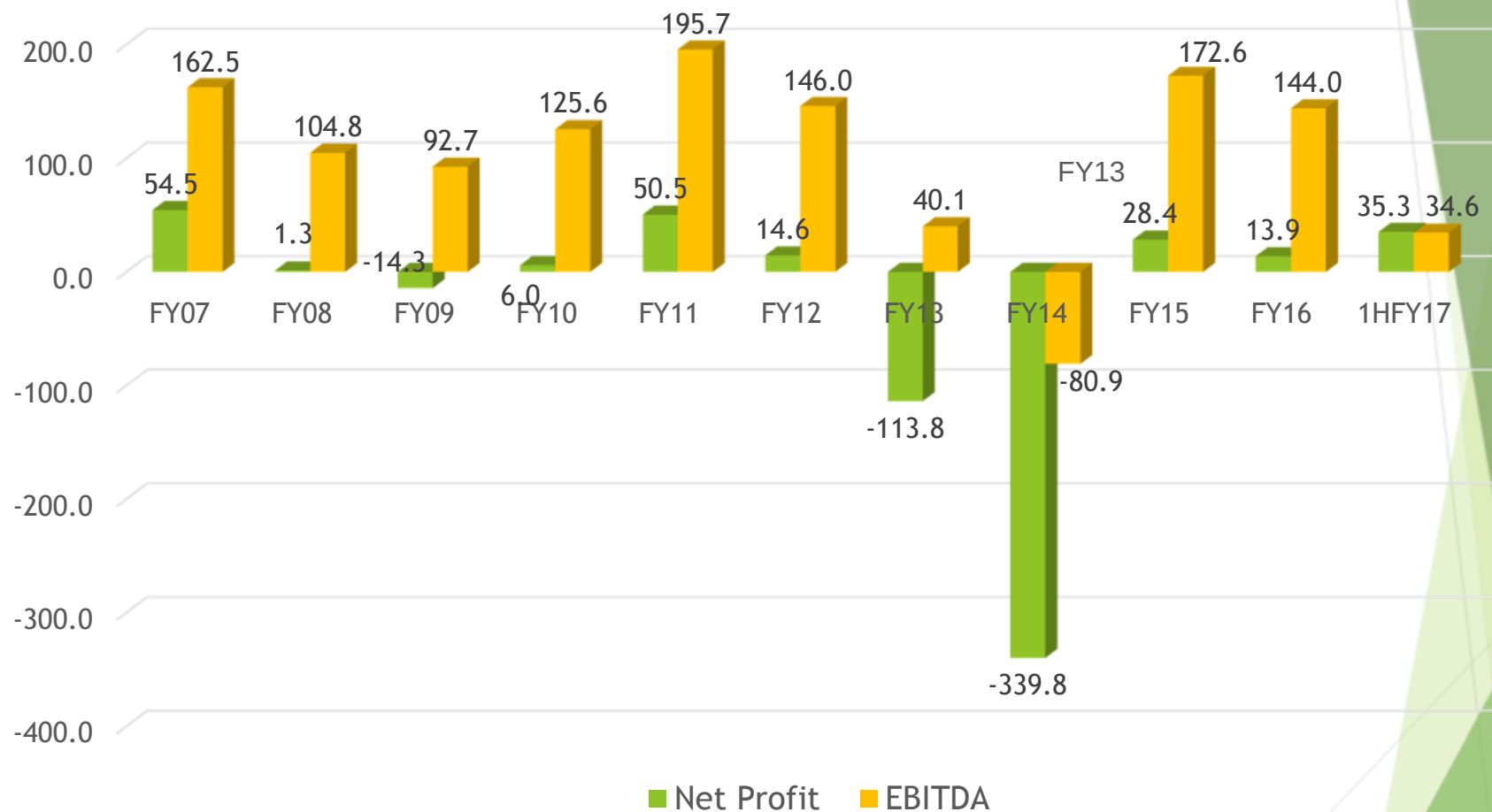
1HFY16



Total Revenue: RMB 874.7 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 1HFY17	As at end FY16	Chg (%)
Current Assets	831.4	779.5	6.7
- Cash & Cash Equivalents	362.4	301.2	20.3
- Inventories	182.8	175.6	4.1
- Trade and Other Receivables	284.9	301.9	(5.6)
Total Assets	1,568.9	1,483.2	5.8
Current Liabilities	741.2	670.7	10.5
- Trade and Other Payables	343.1	332.7	3.1
- Short Term Borrowings	390.5	330.0	18.3
Long Term Borrowings	622.9	640.0	(2.7)
Total Liabilities	1,404.7	1,348.5	4.2

Balance Sheet Highlights

RMB'mil	As at end 1HFY17	As at end FY16	Chg (%)
Inventory Turnover Days	37	40	(7.5)
Receivables Turnover Days	37	35	5.7
Payables Turnover Days	49	47	4.3
Debt to Equity Ratio [#]	6.17	7.20	(14.3)
Price to Book Value [*]	0.54	0.66	(18.2)

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

^{*} *Based on share price of RMB 0.15 as at July 20, 2017*

Cash Flow Statement Highlights

RMB'mil	1HFY17	1HFY16	Chg (%)
Net Cash Generated from Operating Activities	50.5	40.2	25.6
Net Cash Generated from/(Used in) Investing Activities	0.3	(41.0)	100.7
Net Cash (Used in)/Generated from Financing Activities	(56.9)	11.3	(603.5)
Net (Decrease)/Increase in Cash & Bank Balances	(6.1)	10.5	(158.1)
Cash & Bank Balances at Beginning of Period	155.2	81.9	89.5
Cash & Bank Balances at End of Period	149.1	92.4	61.4

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 (may be further delayed due to unfavourable economic climate) 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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