



# LUZHOU BIO-CHEM TECHNOLOGY LIMITED

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## 2QFY15 Results Notes

August 14, 2015



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- 🟡 **Financial Overview**
- 🟡 **Business Outlook**
- 🟡 **Growth Strategies**
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# Financial Overview



# Financial Highlights

- **Group Revenue decreased by 7.2% y-o-y**
  - **Corn refining**
    - Sales volume ↑ 18.5%; weighted average selling price ↓ 1.2%
  - **Animal feeds**
    - Sales volume ↓ 54.0%; weighted average selling price ↓ 5.0%
- **Gross profit margin of 9.6%, 108.7% higher y-o-y;**
  - **Corn refining: 10.1%, 94.2% higher y-o-y;**
  - **Animal feeds: 0.5%, 16.7% lower y-o-y;**
  - **Others : 24.6%, 1,084.0% higher y-o-y;**
- **Net Profit Margin of 1.2%, 106.3% higher y-o-y**
- **Cash and cash equivalents of RMB420.3 million as at 30 June, 2015  
(RMB54.6 million as at 31 December, 2014)**



# Income Statement Highlights

| RMB'mil             | 2QFY15 | y-o-y<br>Chg (%) | q-o-q<br>Chg (%) | 1H FY15 | y-o-y<br>Chg (%) |
|---------------------|--------|------------------|------------------|---------|------------------|
| Revenue             | 684.3  | 21.0             | 19.9             | 1,254.9 | 7.2              |
| Gross Profit        | 63.1   | 103.8            | 9.2              | 120.8   | 125.7            |
| Profit Before Tax   | 8.2    | 104.6            | (21.2)           | 18.6    | 108.3            |
| Net Profit          | 6.3    | 103.5            | (29.2)           | 15.2    | 106.8            |
| Gross Profit Margin | 9.2%   | 67.3             | (8.9)            | 9.6%    | 108.7            |
| Net Profit Margin   | 0.9%   | 102.8            | (43.8)           | 1.2%    | 106.3            |

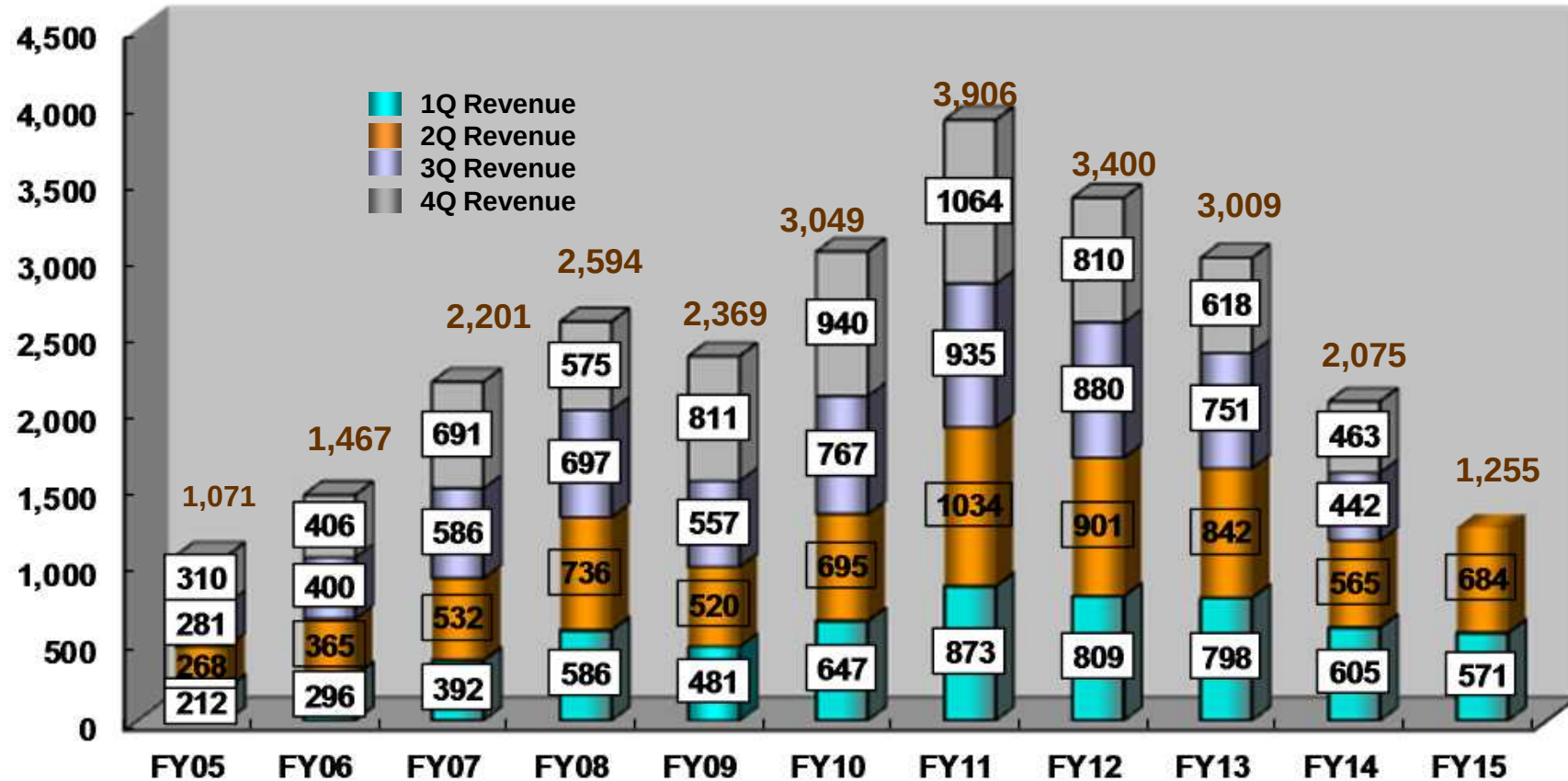
2Q: Three months ended June 30

1H: Six months ended June 30



# Revenue

RMB'mil



FY: Year ended December 31

2Q: Three months ended June 30

4Q: Three months ended December 31

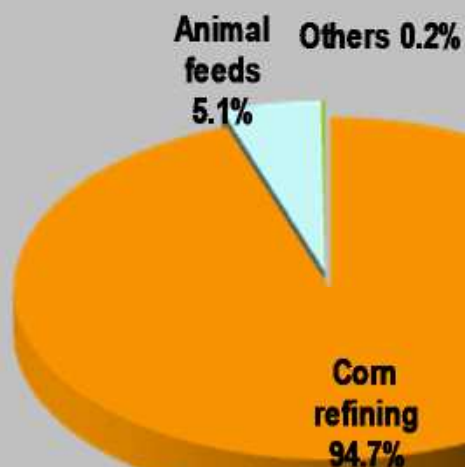
1Q: Three months ended March 31

3Q: Three months ended September 30



# Revenue by Product Categories

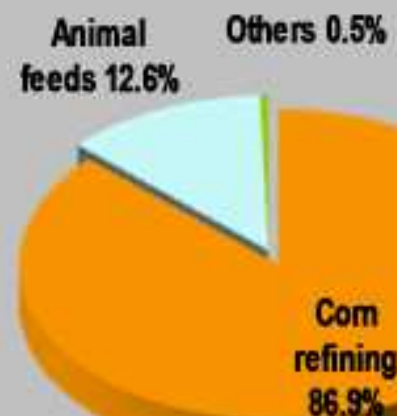
**1HFY15**



Total Revenue: RMB1,254.9mil

*1H: Six months ended June 30*

**1HFY14**



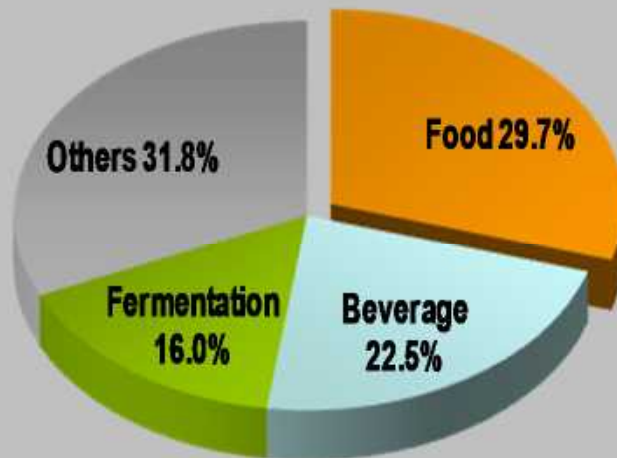
Total Revenue: RMB1,170.4 mil

*FY: Year ended December 31*



# Revenue by Industries

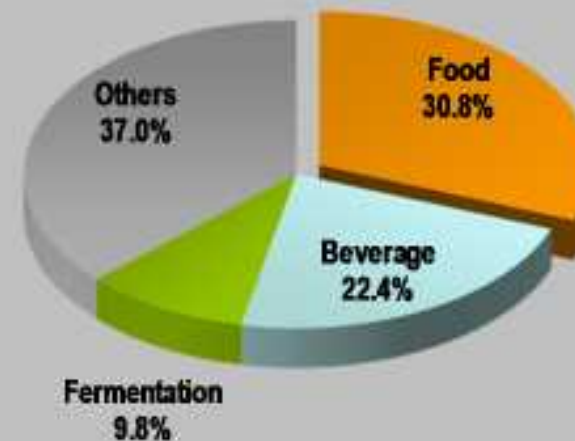
**1HFY15**



**Total Revenue: RMB1,254.9 mil**

*1H: Six months ended June 30*

**1HFY14**



**Total Revenue: RMB1,170.4 mil**

*FY: Year ended December 31*



# Balance Sheet Highlights

| RMB'mil                       | As at<br>end 1HFY15 | As at<br>end FY14 | Chg (%)      |
|-------------------------------|---------------------|-------------------|--------------|
| <b>Current Assets</b>         | <b>993.1</b>        | <b>502.0</b>      | <b>97.8</b>  |
| - Cash & Cash Equivalents     | 420.3               | 54.6              | 669.8        |
| - Inventories                 | 280.1               | 238.9             | 17.2         |
| - Trade and Other Receivables | 291.2               | 207.6             | 40.3         |
| <b>Fixed Assets</b>           | <b>661.8</b>        | <b>692.0</b>      | <b>(4.4)</b> |
| <b>Total Assets</b>           | <b>1,701.2</b>      | <b>1,240.8</b>    | <b>37.1</b>  |
| <b>Current Liabilities</b>    | <b>968.6</b>        | <b>550.4</b>      | <b>76.0</b>  |
| - Trade and Other Payables    | 429.3               | 319.5             | 34.4         |
| - Short Term Borrowings       | 529.7               | 224.0             | 136.5        |
| <b>Long Term Borrowings</b>   | <b>607.2</b>        | <b>577.2</b>      | <b>5.2</b>   |
| <b>Total Liabilities</b>      | <b>1,613.8</b>      | <b>1,168.6</b>    | <b>38.1</b>  |
| <b>Net Assets</b>             | <b>87.5</b>         | <b>72.2</b>       | <b>21.2</b>  |



# Balance Sheet Highlights

| RMB'mil                           | As at<br>end 1HFY15 | As at<br>end FY14 | Chg (%) |
|-----------------------------------|---------------------|-------------------|---------|
| Inventory Turnover Days           | 42                  | 47                | (10.6)  |
| Receivables Turnover Days         | 31                  | 33                | (6.1)   |
| Payables Turnover Days            | 45                  | 40                | 12.5    |
| Debt to Equity Ratio <sup>#</sup> | 12.89               | 10.96             | 17.6    |
| Price to Book Value*              | 0.81                | 0.60              | 35.0    |

<sup>#</sup> Total interest bearing loans / Total equity

\* Based on share price of RMB 0.18 as at July 23, 2015

**1H: Six months ended June 30**

**FY: Year ended December 31**



# Cash Flow Statement Highlights

| RMB'mil                                      | 1HFY15 | 1HFY14 | Chg (%) |
|----------------------------------------------|--------|--------|---------|
| Net Cash Generated from Operating Activities | 71.2   | 19.5   | 265.1   |
| Net Cash (Used in) Investing Activities      | (8.9)  | (8.1)  | 9.9     |
| Net Cash Generated from Financing Activities | 84.4   | 34.5   | 144.6   |
| Net Increase in Cash & Bank Balances         | 146.6  | 46.0   | 218.7   |
| Cash & Bank Balances at Beginning of Period  | 50.6   | 66.2   | (23.6)  |
| Cash & Bank Balances at End of Period        | 197.3  | 112.2  | 75.8    |

**1H: Six months ended June 30**

**FY: Year ended December 31**

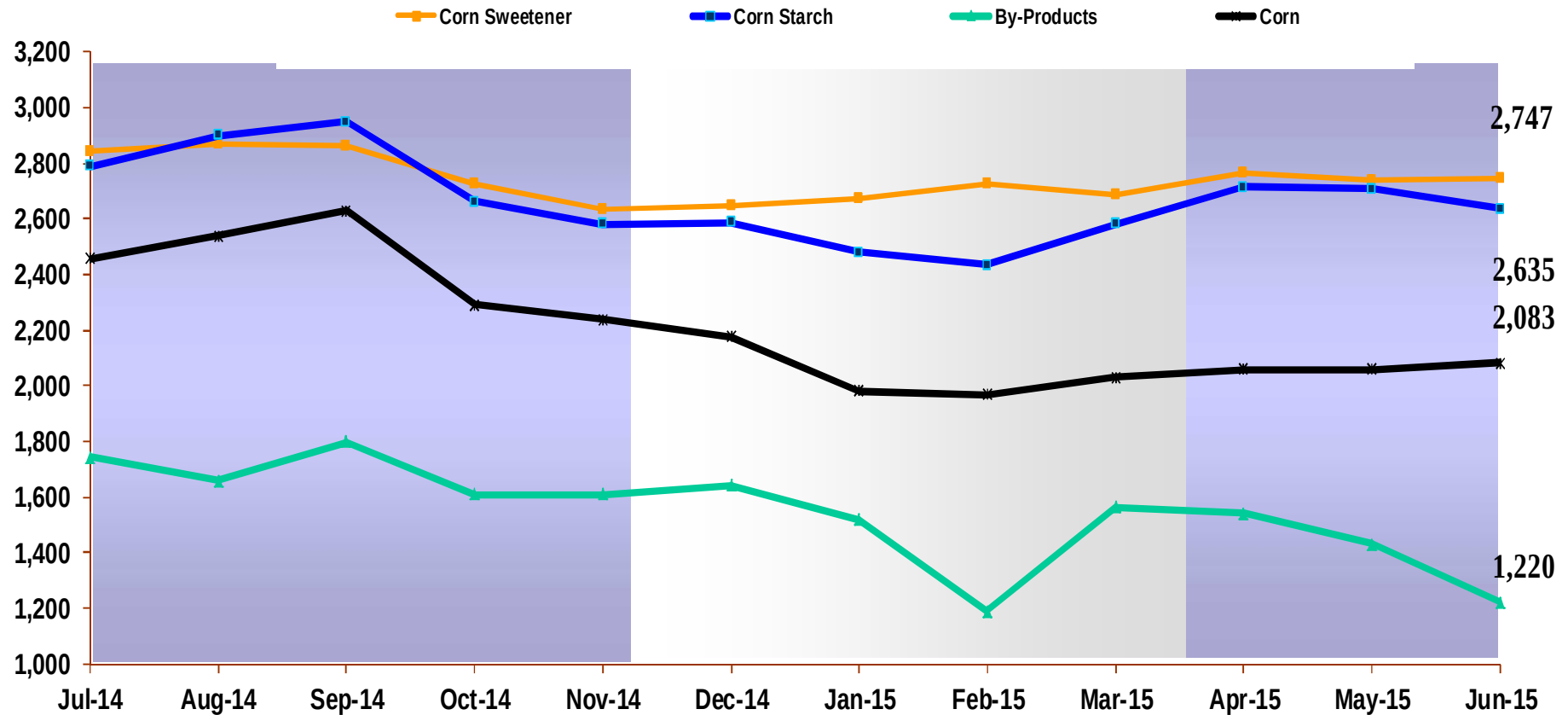


# Business Outlook



# Price Trends

RMB/tonnes  
(excluding taxes)

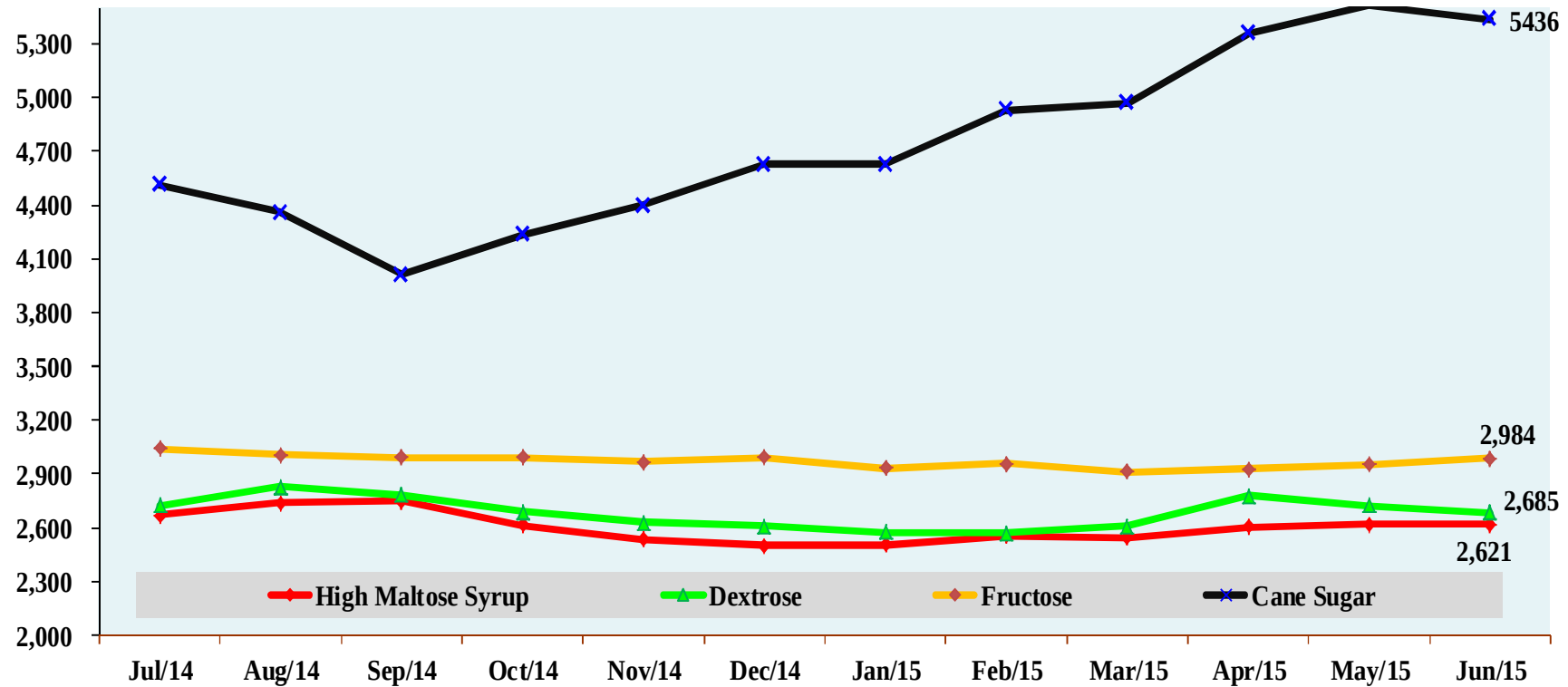


Source: Company



# Price Comparisons to Cane Sugar

RMB/tonnes



Source: Company



# Growth Strategies



# Growth Strategies

- 💡 **Increase capacity utilisation rates**
- 💡 **Expand market reach**
- 💡 **Enhance profit levels from modified existing production lines**



# Our Capacity & Utilization Rates

| Facility / Location      | Region Served                                              | Corn Sweeteners                         |                  |                                         |                  |
|--------------------------|------------------------------------------------------------|-----------------------------------------|------------------|-----------------------------------------|------------------|
|                          |                                                            | 2QFY15                                  |                  | 2QFY14                                  |                  |
|                          |                                                            | Production Capacity / (Output) (tonnes) | Utilisation Rate | Production Capacity / (Output) (tonnes) | Utilisation Rate |
| <b>Yishui, Shandong</b>  | Shandong, Hebei, Anhui, Guangdong, Zhejiang                | 110,000<br>(82,648)                     | 75.1%            | 110,000<br>(52,096)                     | 47.4%            |
| <b>Pengshan, Sichuan</b> | South-western region of PRC                                | 35,000<br>(27,383)                      | 78.2%            | 35,000<br>(21,249)                      | 60.7%            |
| <b>Fushun, Liaoning</b>  | Northeast of PRC                                           | 40,000<br>(24,709)                      | 61.8%            | 40,000<br>(13,517)                      | 33.8%            |
| <b>Xingping, Shaanxi</b> | Shaanxi, Shanxi, Gansu, Chongqing, Sichuan, Inner Mongolia | 40,000<br>(37,424)                      | 93.6%            | 40,000<br>(32,924)                      | 82.3%            |
| <b>Xiping, Henan</b>     | Henan, Hubei, Hunan, Anhui, Jiangxi                        | 35,000<br>(42,356)                      | 121.0%           | 35,000<br>(27,593)                      | 78.8%            |
| <b>Total Capacity</b>    |                                                            | <b>260,000 tonnes</b>                   | <b>82.5%</b>     | <b>260,000 tonnes</b>                   | <b>56.7%</b>     |



# Our Capacity & Utilisation Rates

| Facility / Location      | Region Served                                              | Corn Sweeteners                         |                  |                                         |                  |
|--------------------------|------------------------------------------------------------|-----------------------------------------|------------------|-----------------------------------------|------------------|
|                          |                                                            | 1HFY15                                  |                  | 1HFY14                                  |                  |
|                          |                                                            | Production Capacity / (Output) (tonnes) | Utilisation Rate | Production Capacity / (Output) (tonnes) | Utilisation Rate |
| <b>Yishui, Shandong</b>  | Shandong, Hebei, Anhui, Guangdong, Zhejiang                | 220,000<br>(138,847)                    | 63.1%            | 220,000<br>(109,537)                    | 49.8%            |
| <b>Pengshan, Sichuan</b> | South-western region of PRC                                | 70,000<br>(53,240)                      | 76.1%            | 70,000<br>(42,317)                      | 60.5%            |
| <b>Fushun, Liaoning</b>  | Northeast of PRC                                           | 80,000<br>(41,442)                      | 51.8%            | 80,000<br>(31,680)                      | 39.6%            |
| <b>Xingping, Shaanxi</b> | Shaanxi, Shanxi, Gansu, Chongqing, Sichuan, Inner Mongolia | 80,000<br>(72,596)                      | 90.7%            | 80,000<br>(66,413)                      | 83.0%            |
| <b>Xiping, Henan</b>     | Henan, Hubei, Hunan, Anhui, Jiangxi                        | 70,000<br>(74,169)                      | 106.0%           | 70,000<br>(53,149)                      | 75.9%            |
| <b>Total Capacity</b>    |                                                            | <b>520,000 tonnes</b>                   | <b>73.1%</b>     | <b>520,000 tonnes</b>                   | <b>58.3%</b>     |



# Expand Market Reach

- Improve domestic and overseas marketing efforts and enhance sales
  - Re-strategise local and overseas marketing efforts
  - Reaching out to new customers
  - Focusing on high margin products



# Company Profile



# Who We Are

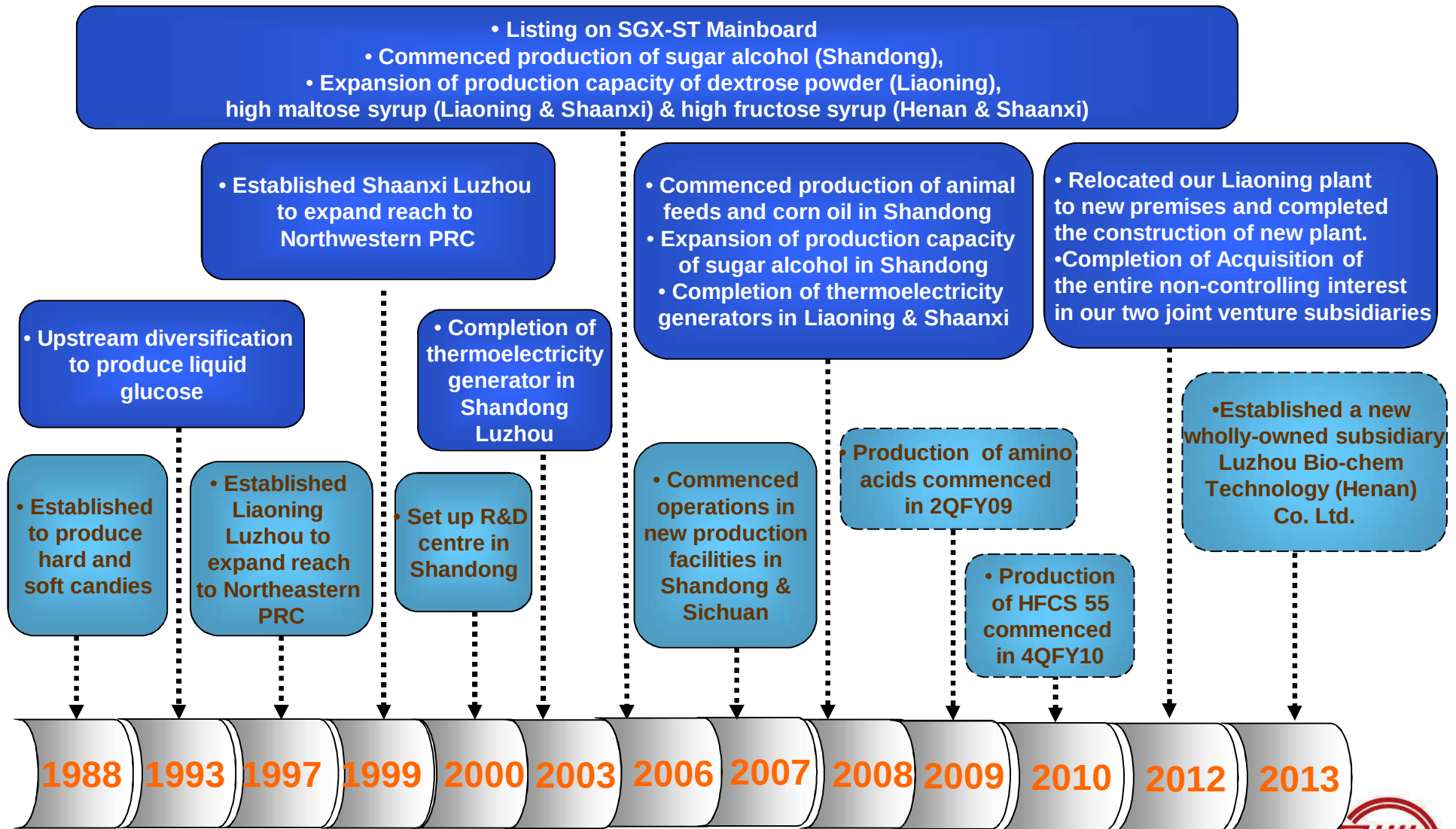
- 💡 **Market leader in maltose-related products**
- 💡 **More than 20 years of growth**
- 💡 **Capacity to produce 1,040,000 tonnes of corn sweeteners per year**

## OUR COMPETITIVE EDGE

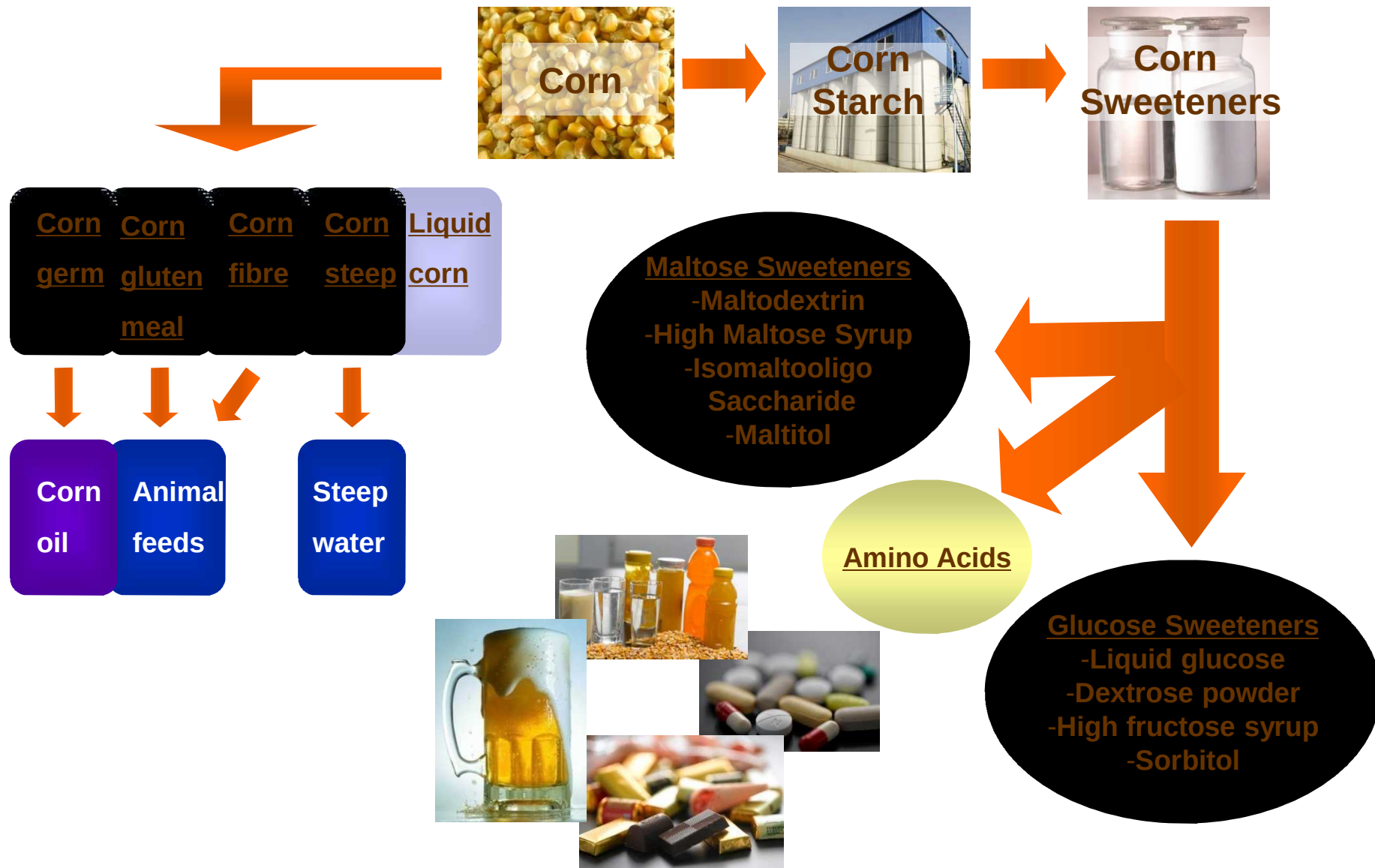
- 💡 **Long-serving core management team**
- 💡 **Production facilities located at the corn producing belt of China**
  - 💡 **Ensuring ample and competitively priced raw materials**
- 💡 **Quality products and strong branding**
- 💡 **Enhanced production efficiency:**
  - 💡 **Own power generating capabilities and water resources**
  - 💡 **Economies of scale through higher capacities and utilisation of plant facilities**



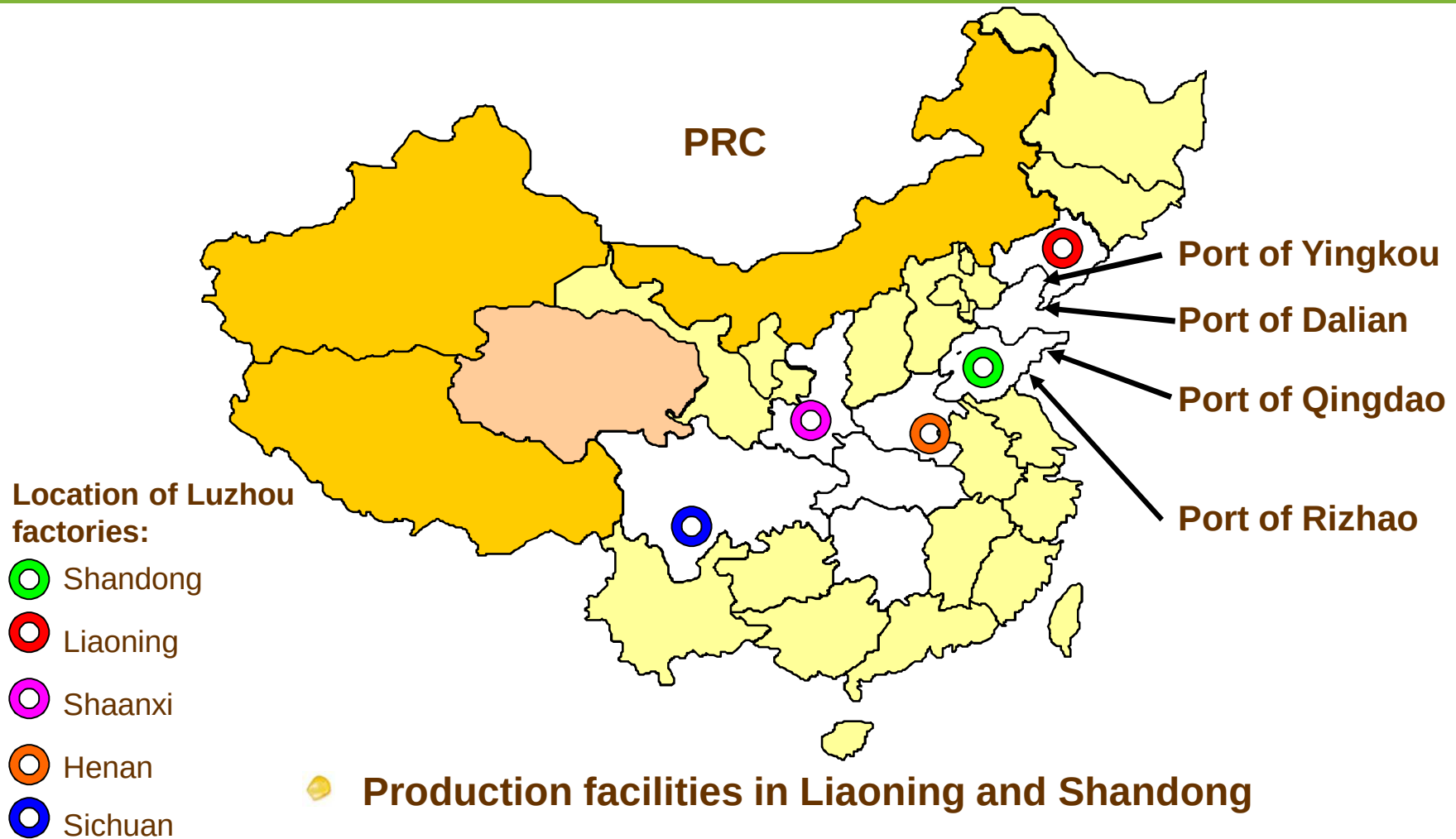
# Company Milestones



# Production Process



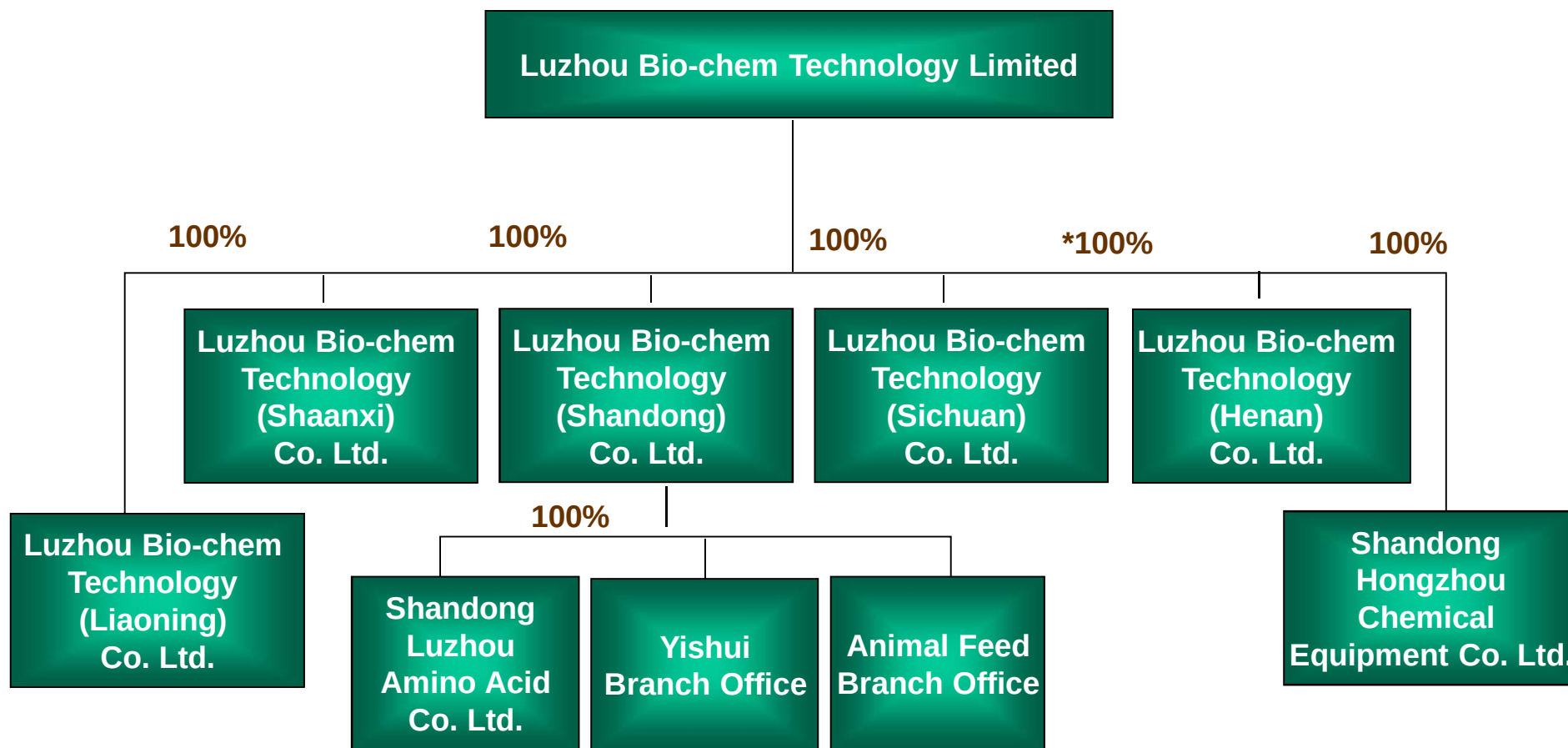
# Location Advantage



Production facilities in Liaoning and Shandong gain easy access to nearby ports for exports



# Corporate Structure



\* The paid up share capital of Luzhou Bio-chem Technology (Sichuan) Co. Ltd, is RMB96.0m, of which the Company holds 37.2% (RMB35.7m) and Luzhou Bio-chem Technology (Shandong) Co., Ltd holds 62.8% (RMB60.3m).





**LUZHOU BIO-CHEM TECHNOLOGY  
LIMITED**

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**Thank You**

