



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
3QFY17 Results**

November 14, 2017

Contents

- 🍌 **Business Overview**
- 🍌 **Financial Highlights**
- 🍌 **Growth Strategies**

Business Overview

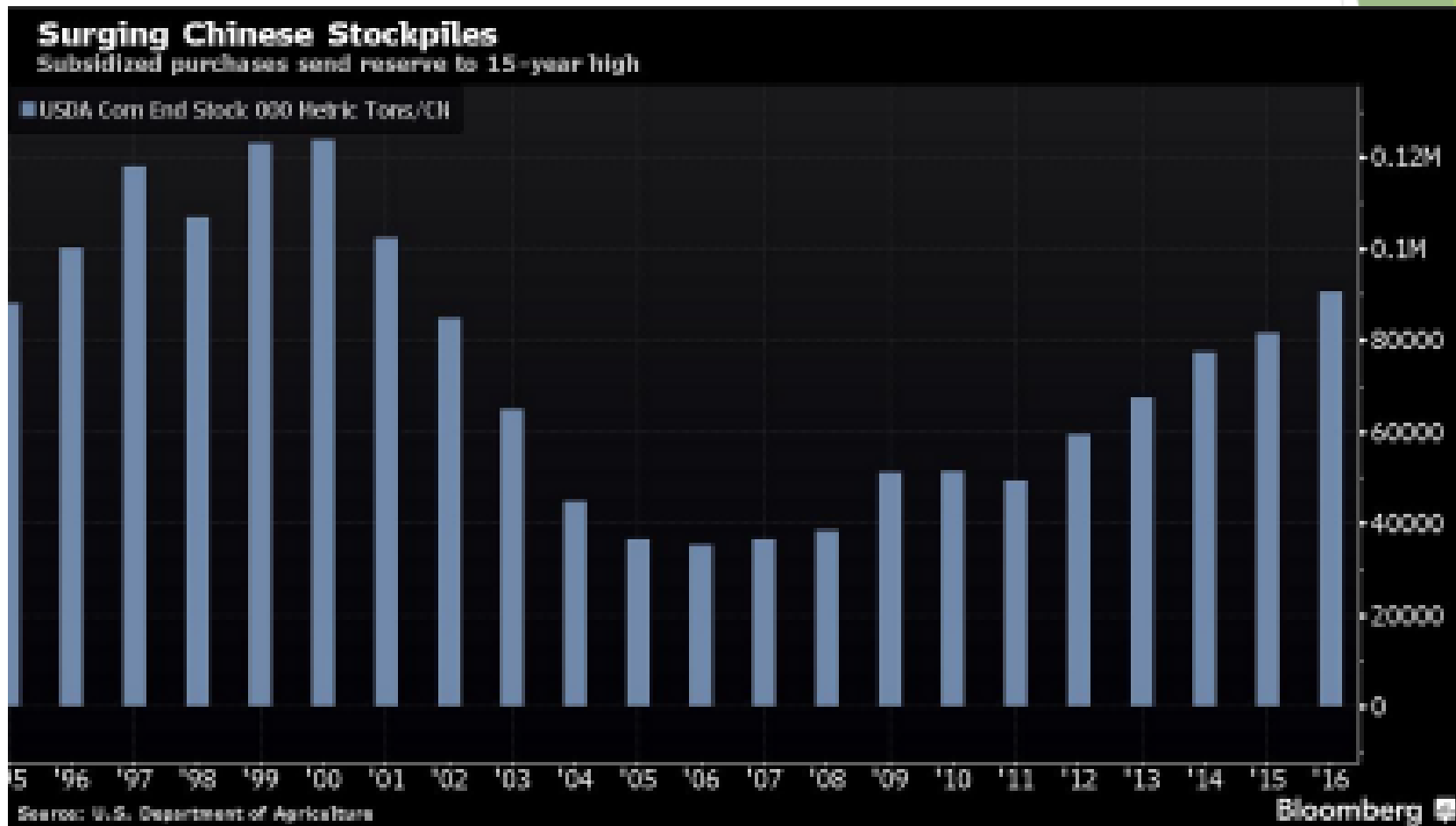


Operating Climate

- 💡 The Group is facing with higher electricity cost due to constant upgrading of power generation plants to meet the environmental air pollution control introduced by the central government.
- 💡 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 over capacity of the corn sweetener and hence downward pressure on all its corn refining products.
- 💡 Higher staff 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 for the industry will also be challenging to the Group

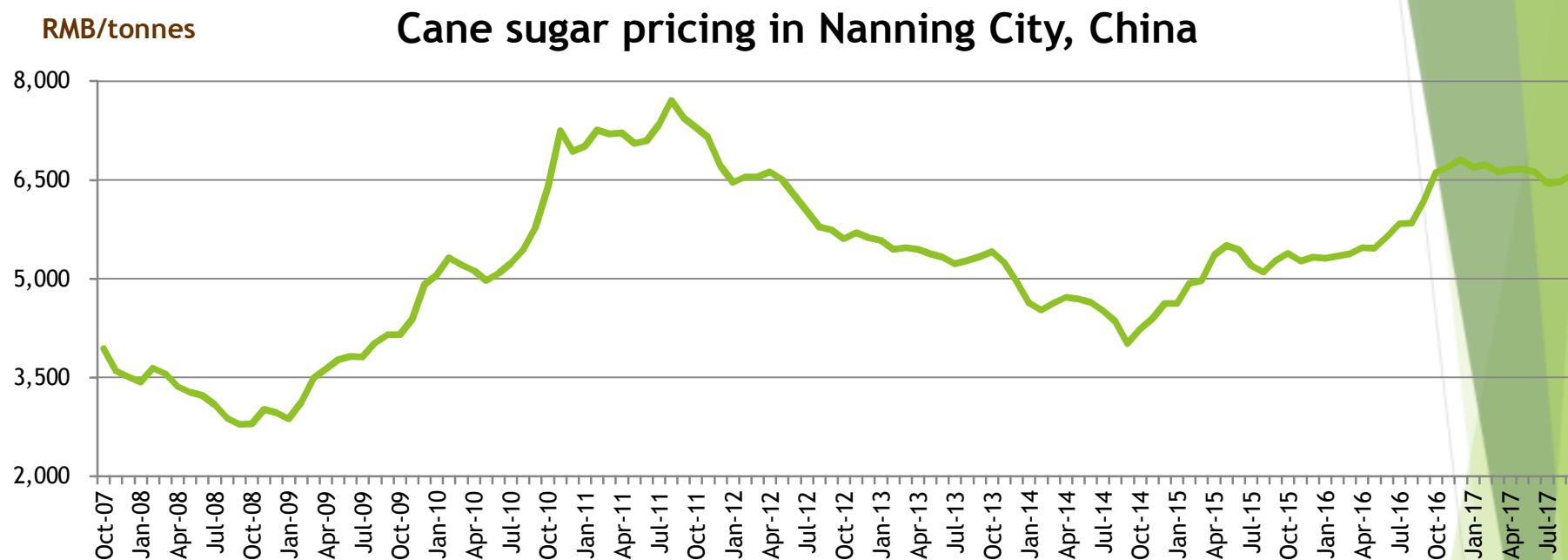
Operating Climate

- 🟡 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>

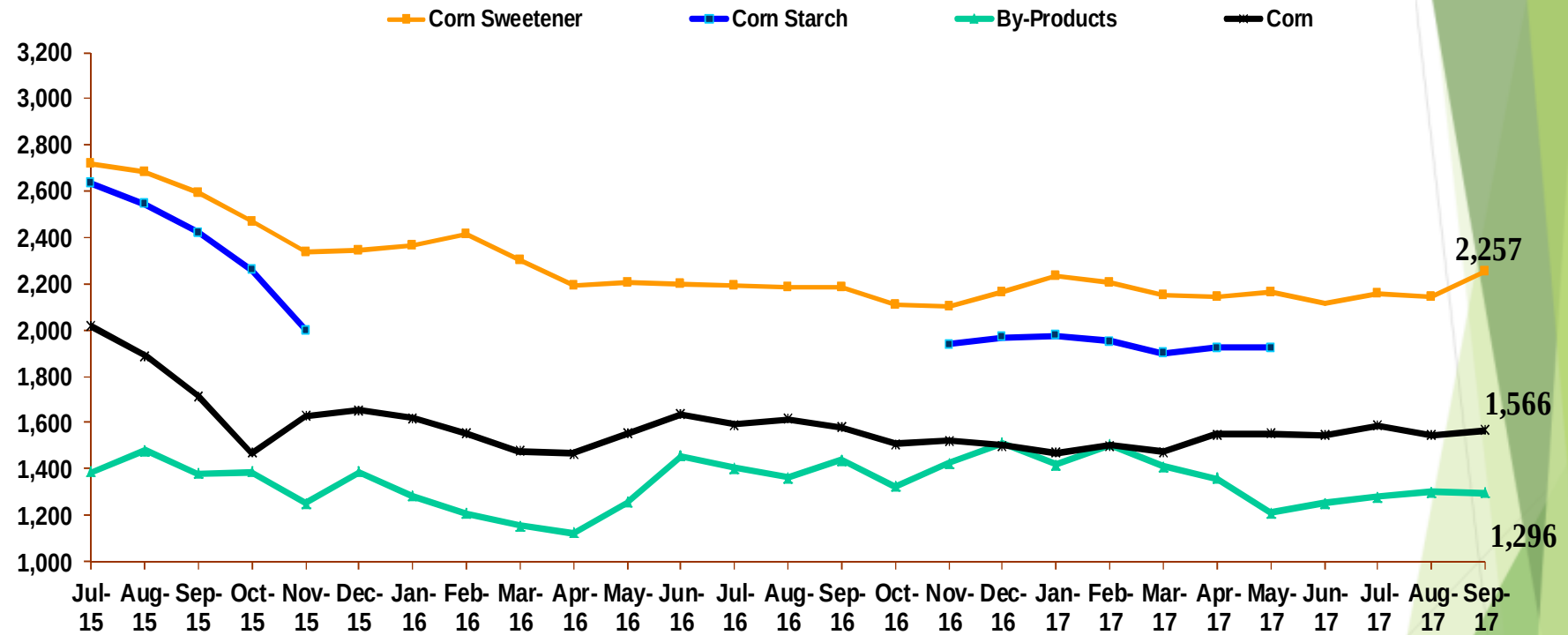
Price Comparisons to Cane Sugar



- 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 September 2017) are as follows:
 - Fructose: RMB 2,455/tonne
 - Dextrose: RMB 2,207/tonne
 - High Maltose Syrup: RMB 2,117/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



9MFY17 Financial Highlights

- 💡 **Group revenue increased by 9.0% y-o-y**
- 💡 **Gross profit margin of 9.6%, 8.6% lower y-o-y;**
- 💡 **Net profit of RMB 0.8 million, increased by 102.6% compared with net loss of RMB 30.9 million in 9MFY16**
- 💡 **Net profit margin of 0.1%, increased significantly compared with net loss margin of 2.2% in 9MFY16**
- 💡 **Cash and cash equivalents of RMB 265.5 million as at 30 September, 2017 (RMB 301.2 million as at 31 December, 2016)**

Income Statement Highlights

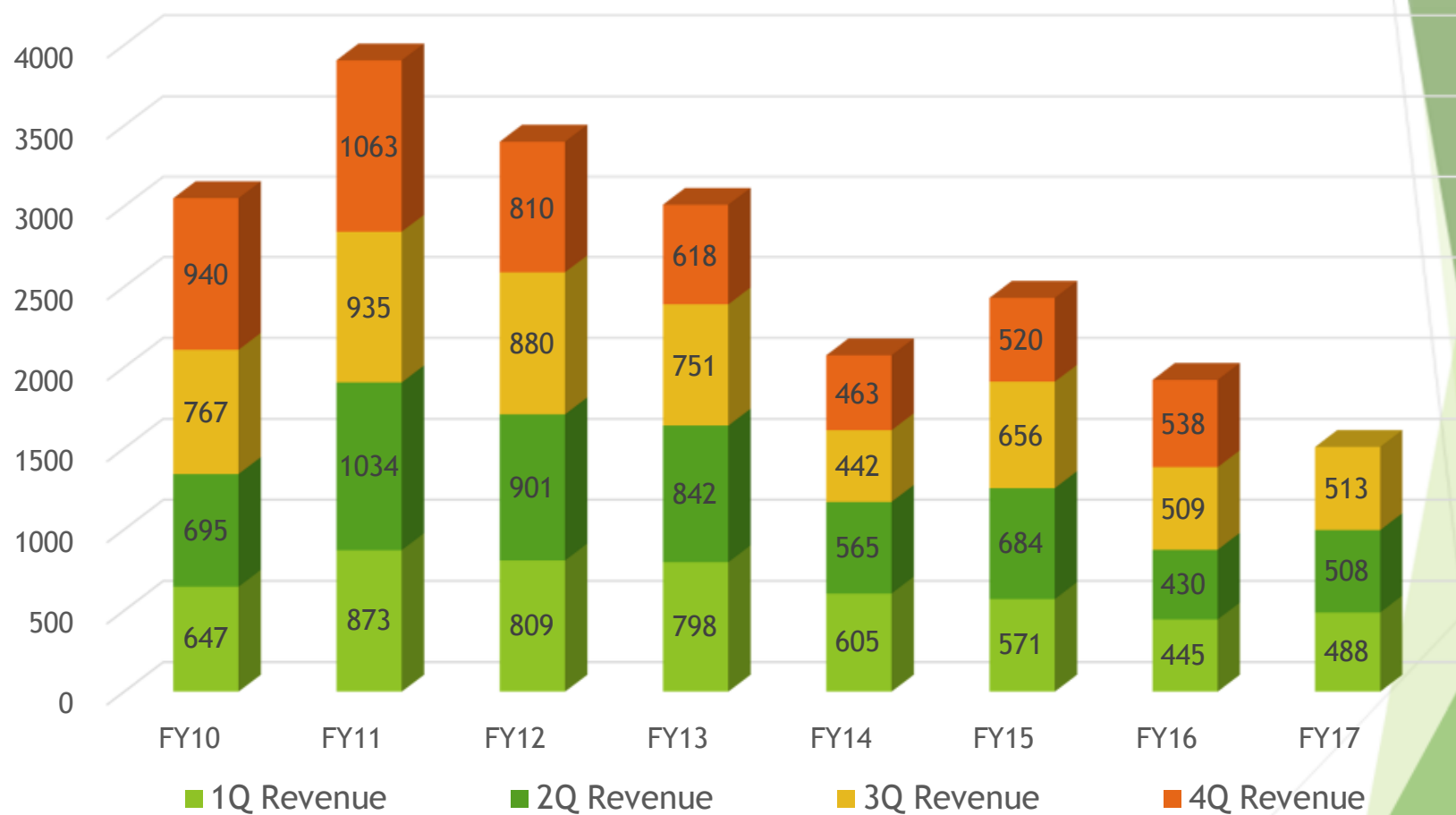
RMB'mil	3QFY17	y-o-y Chg (%)	q-o-q Chg (%)	9MFY17	y-o-y Chg (%)
Revenue	513.3	0.7	0.9	1,509.4	9.0
Gross Profit	36.5	(25.9)	(17.3)	144.4	(1.0)
(Loss)/Profit Before Tax	(34.5)	(1,231.0)	(186.2)	1.4	105.1
Net (Loss) /Profit	(34.5)	(839.0)	(186.9)	0.8	102.6
Gross Profit Margin	7.1%	(26.8)	(18.4)	9.6%	(8.6)
Net (Loss)/Profit Margin	(6.7%)	(857.1)	(185.9)	0.1%	104.5

3Q: Three months ended September 30

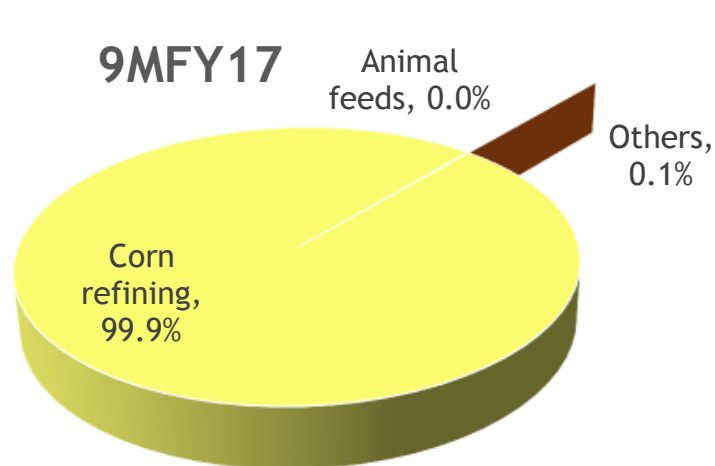
9M: Nine months ended September 30

Revenue

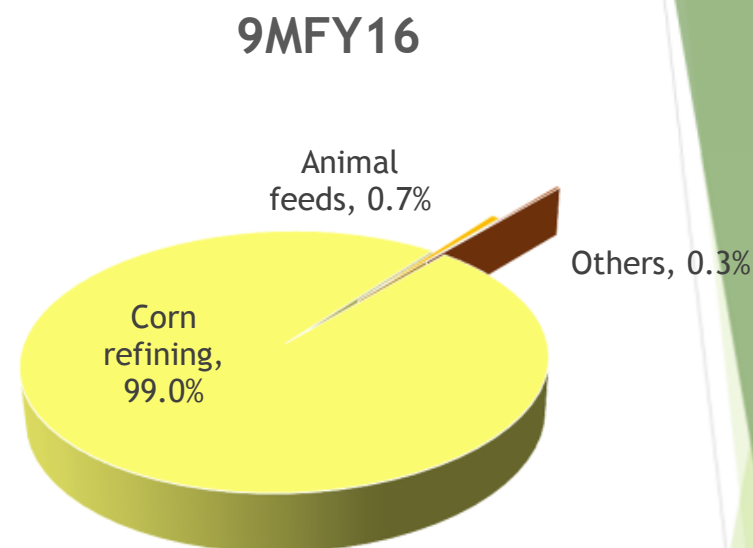
RMB'mil



Revenue by Product Categories



Total Revenue: RMB 1,509.4 mil

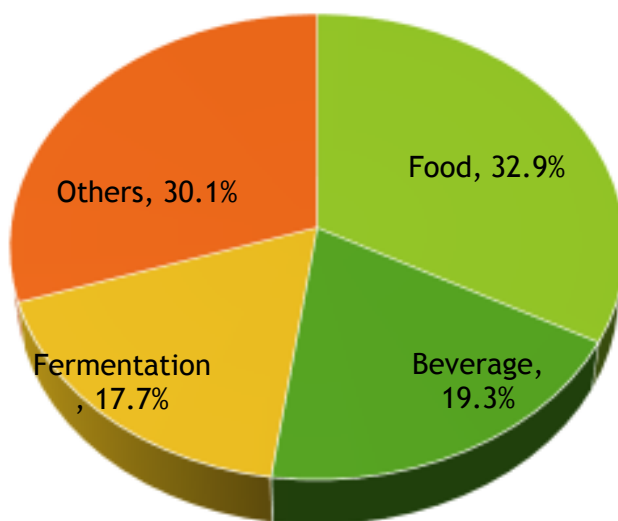


Total Revenue: RMB 1,384.3 mil

	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	10.0%	15.1%	(2.1%)	9.5%	(11.2%)
Animal feed	(100.0%)	(100.0%)	NA	-	NA

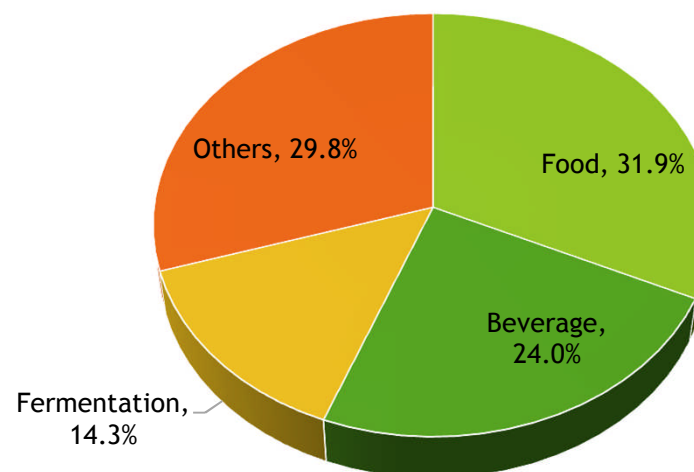
Revenue by Industry

9MFY17



Total Revenue: RMB 1,509.4 mil

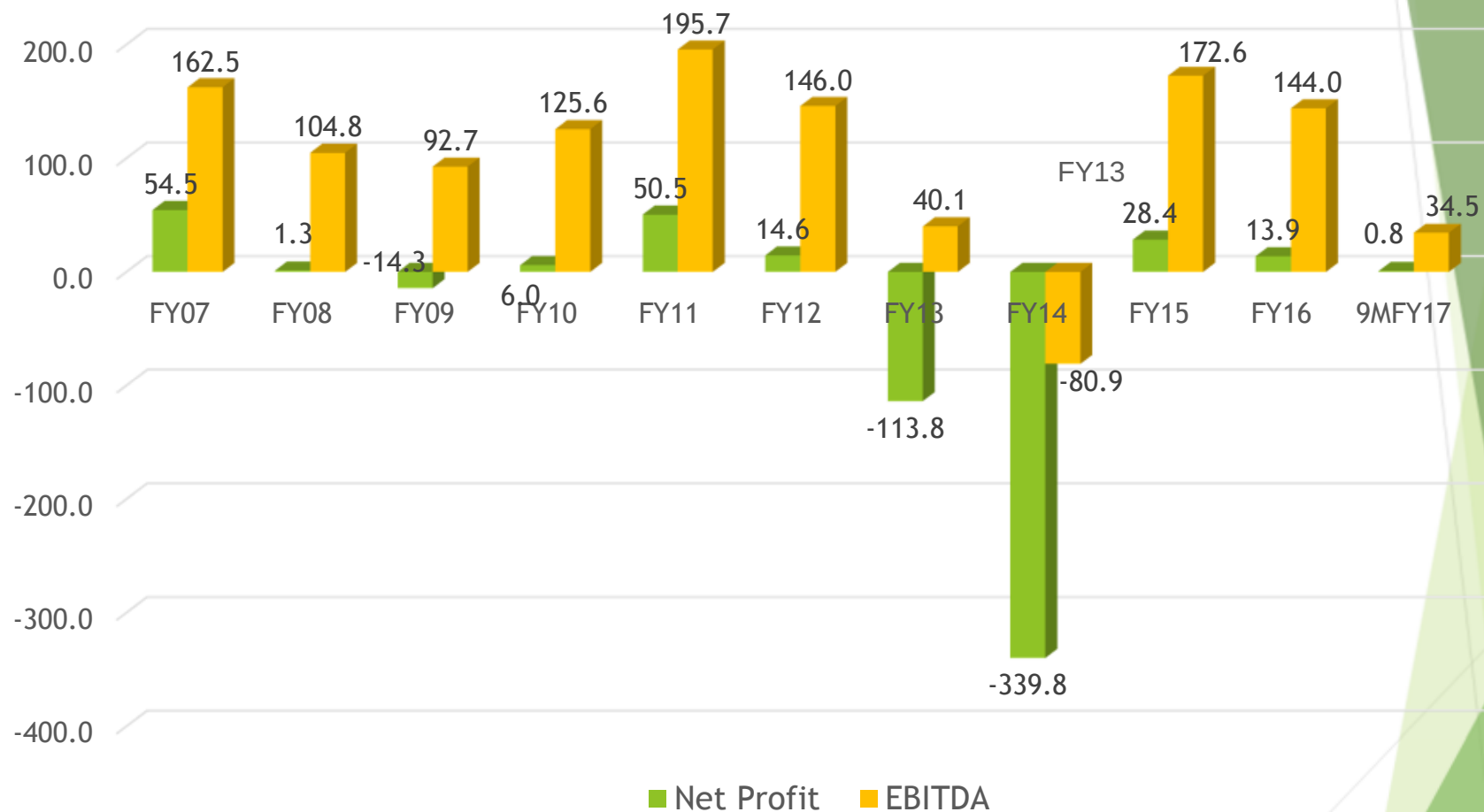
9MFY16



Total Revenue: RMB 1,384.3mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end 9MFY17	As at end FY16	Chg (%)
Current Assets	652.1	779.5	(16.3)
- Cash & Cash Equivalents	265.5	301.2	(11.9)
- Inventories	146.2	175.6	(16.7)
- Trade and Other Receivables	239.5	301.9	(20.6)
Total Assets	1,387.4	1,483.2	(6.5)
Current Liabilities	638.5	670.7	(4.8)
- Trade and Other Payables	332.7	332.7	-
- Short Term Borrowings	298.5	330.0	(9.5)
Long Term Borrowings	579.9	640.0	(9.4)
Total Liabilities	1,257.7	1,348.5	(6.7)

Balance Sheet Highlights

RMB'mil	As at end 9MFY17	As at end FY16	Chg (%)
Inventory Turnover Days	32	40	(20.0)
Receivables Turnover Days	33	35	(5.7)
Payables Turnover Days	47	47	-
Debt to Equity Ratio [#]	6.77	7.20	(6.0)
Price to Book Value [*]	0.64	0.66	(3.0)

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

^{*} *Based on share price of RMB 0.14 as at October 17, 2017*

Cash Flow Statement Highlights

RMB'mil	9MFY17	9MFY16	Chg (%)
Net Cash Generated from Operating Activities	120.7	114.9	5.0
Net Cash (Used in) Investing Activities	(18.9)	(106.8)	(82.3)
Net Cash (Used in)/Generated from Financing Activities	(118.8)	78.5	(251.3)
Net (Decrease)/Increase in Cash & Bank Balances	(17.0)	86.6	(119.6)
Cash & Bank Balances at Beginning of Period	155.2	81.9	89.5
Cash & Bank Balances at End of Period	138.2	168.5	(18.0)

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**
- **Conserving cash for the uncertainties due to over capacity of corn sweetener 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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