



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

A Mouth-Watering China Consumption Story



Corporate Presentation and FY15 Results

February 26, 2016

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Business Overview

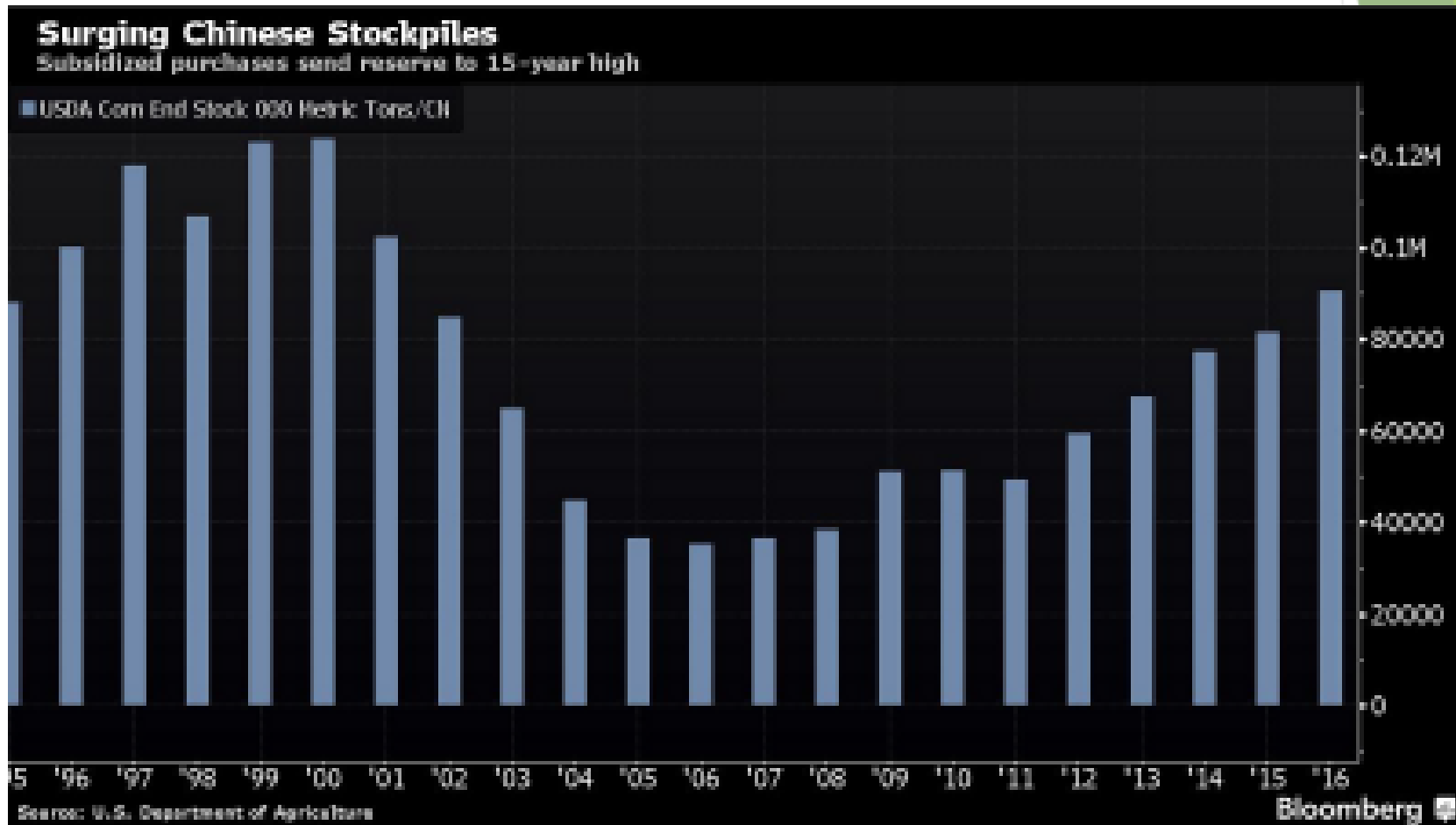


Operating Climate

- 💡 **Luzhou has benefitted from favourable Chinese government policy, notably the restriction on importation of raw cane sugar in order to prop up domestic sugar producers**
- 💡 **This has resulted in domestic food & beverage producers switching to corn syrup products as a substitute**
- 💡 **Raw corn prices have also been favourable in recent years due to ample supply from government stockpiles. However, an ongoing policy review may affect Luzhou's ability to purchase corn direct from local farmers at competitive prices in future**

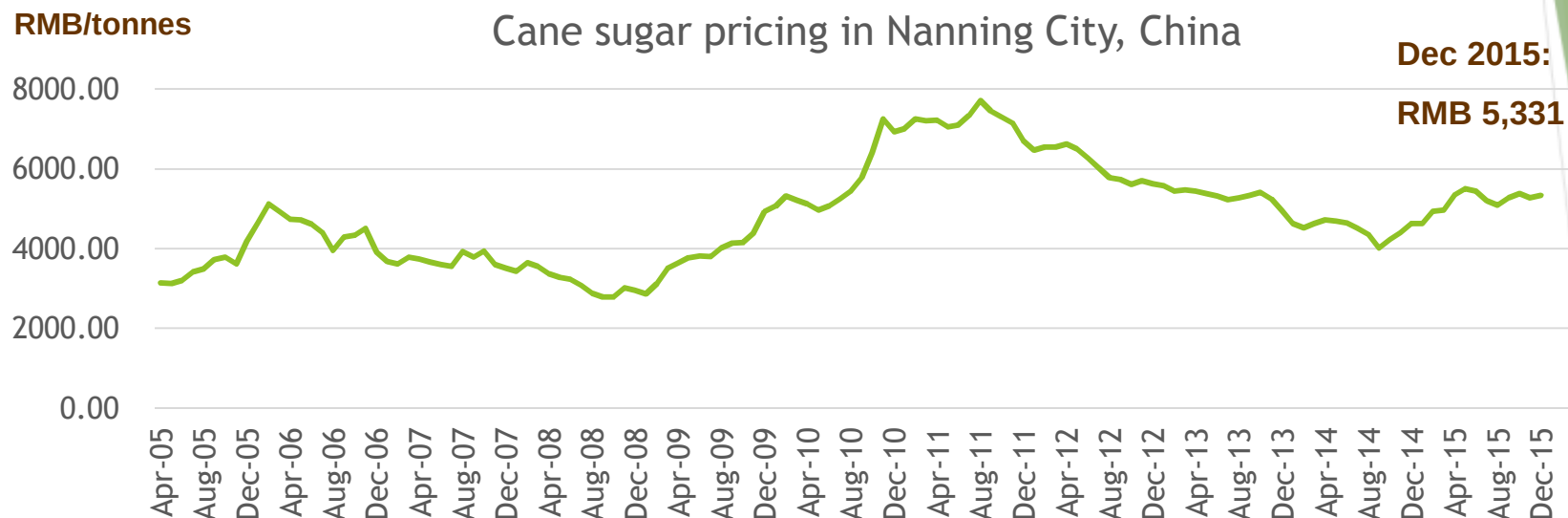
Operating Climate

- 🟡 The USDA estimates that corn stockpiles in China are projected to reach 90.6 million metric tons by 2016



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

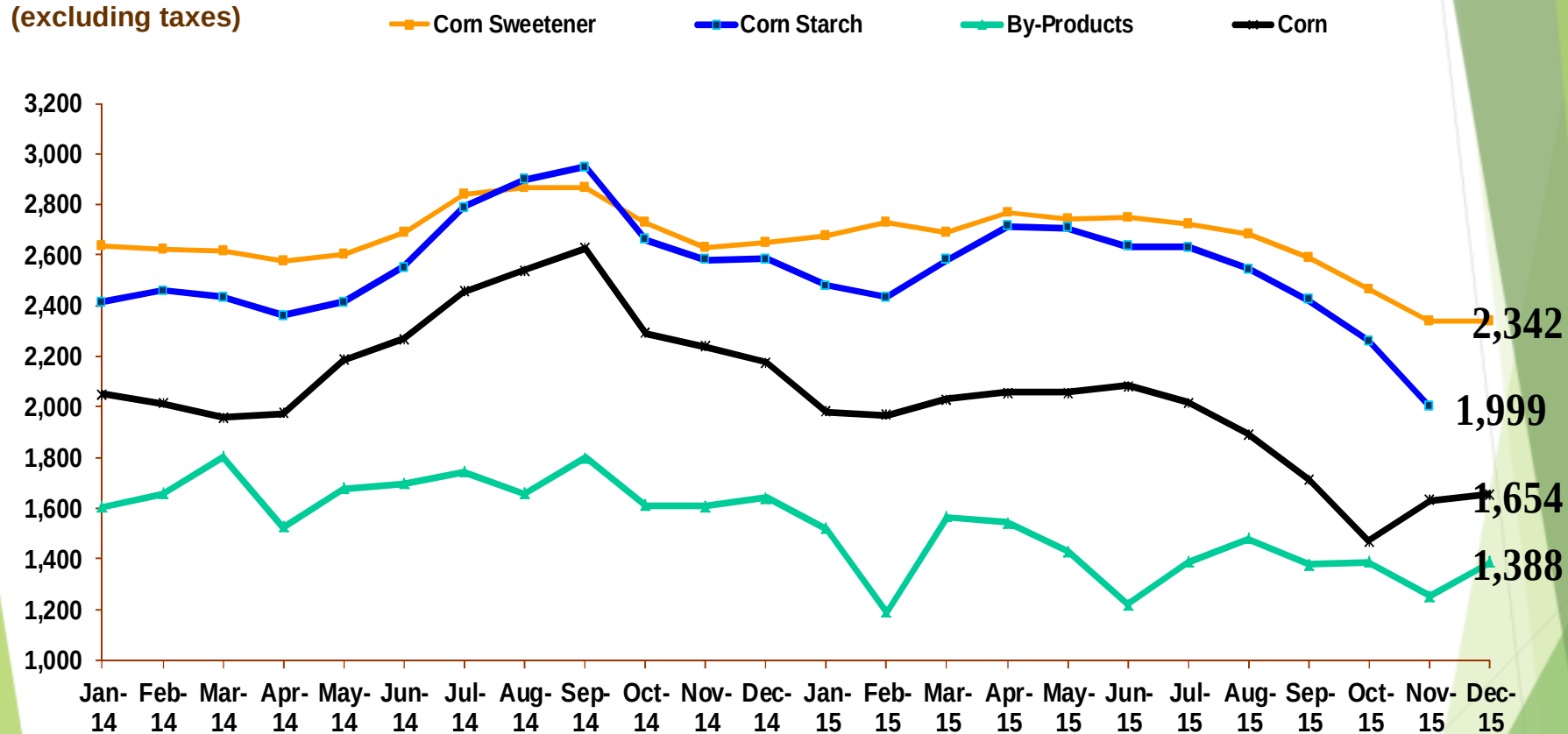


- 🟡 **High price of cane sugar has resulted in food & beverage manufacturers turning to alternative sweeteners**
- 🟡 **For comparison, the prices of sweetener products supplied by Luzhou (as at Dec 2015) are as follows:**
 - 🟡 **Fructose: RMB 2,725/tonne**
 - 🟡 **Dextrose: RMB 2,381/tonne**
 - 🟡 **High Maltose Syrup: RMB 2,224/tonne**

Source: Company, 中国昆商糖网

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



FY15 Financial Highlights

- 💡 **Group Revenue increased by 17.2% y-o-y**
- 💡 **Gross profit margin of 10.8%, 140.0% higher y-o-y;**
- 💡 **Net Profit of RMB 28.4 million, a turnaround from net loss of RMB 339.8 million in FY14**
- 💡 **Net Profit Margin of 1.2%, 107.3% higher y-o-y**
- 💡 **Cash and cash equivalents of RMB166.9 million as at 31 December, 2015 (RMB54.6 million as at 31 December, 2014)**
- 💡 **First and final dividend of SGD0.002**

Income Statement Highlights

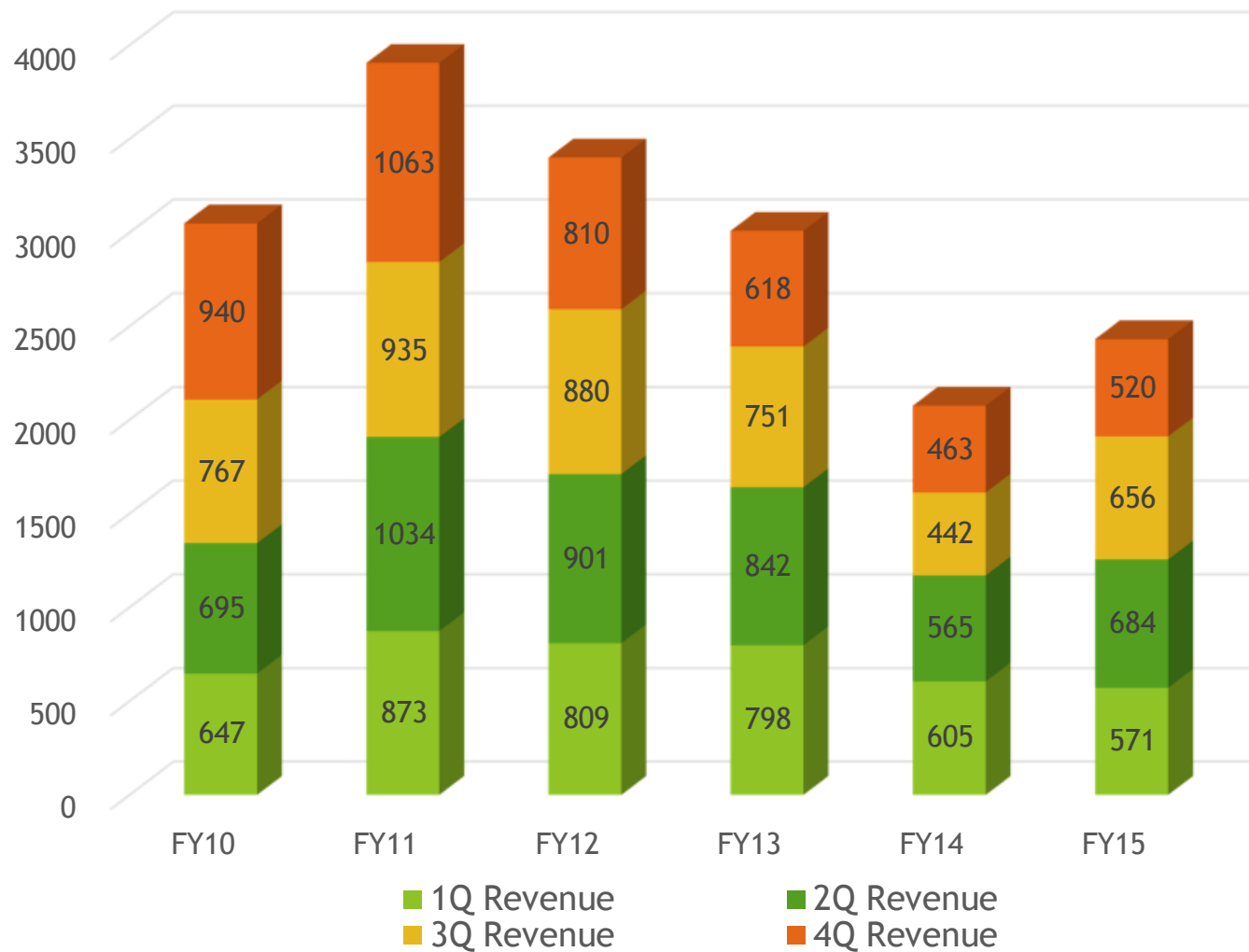
RMB'mil	4QFY15	y-o-y Chg (%)	q-o-q Chg (%)	FY15	y-o-y Chg (%)
Revenue	520.7	12.5	(20.6)	2,431.4	17.2
Gross Profit	71.4	278.7	0.3	263.5	183.2
Profit Before Tax	10.2	114.1	43.3	36.0	110.6
Net Profit	8.0	111.0	53.5	28.4	108.4
Gross Profit Margin	13.7%	234.1	25.7	10.8%	140.0
Net Profit Margin	1.5%	109.6	87.5	1.2%	107.3

4Q: Three months ended December 31

FY: Year ended December 31

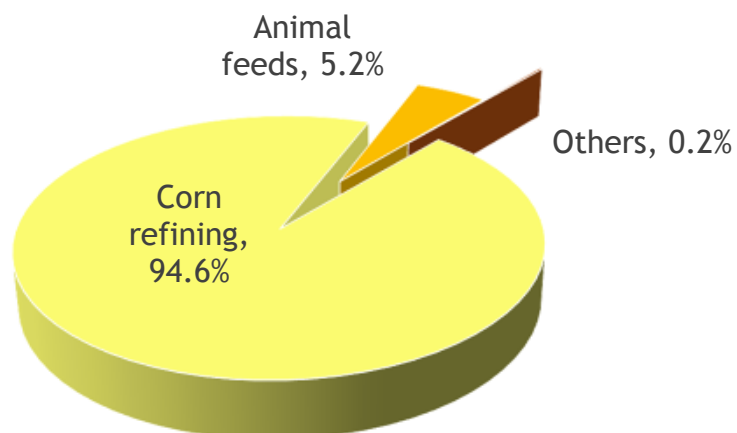
Revenue

RMB'mil



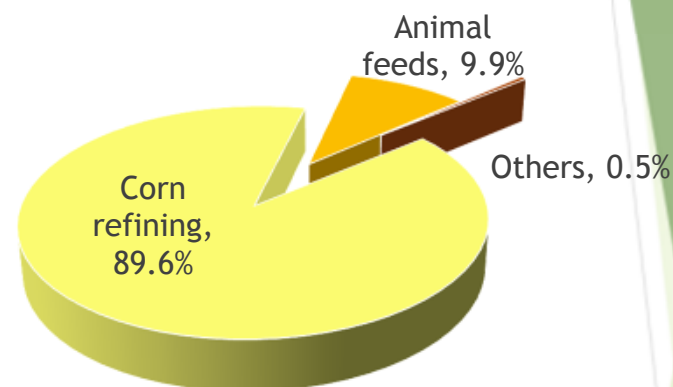
Revenue by Product Categories

FY15



Total Revenue: RMB2,431.4mil

FY14

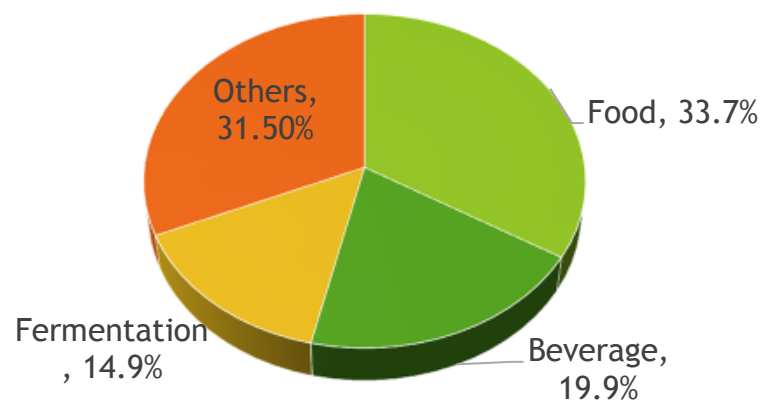


Total Revenue: RMB2,074.9 mil

	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	23.6%	28.5%	(5.5%)	11.4%	128.0%
Animal feed	(37.8%)	(30.3%)	(10.7%)	0.1%	NIL

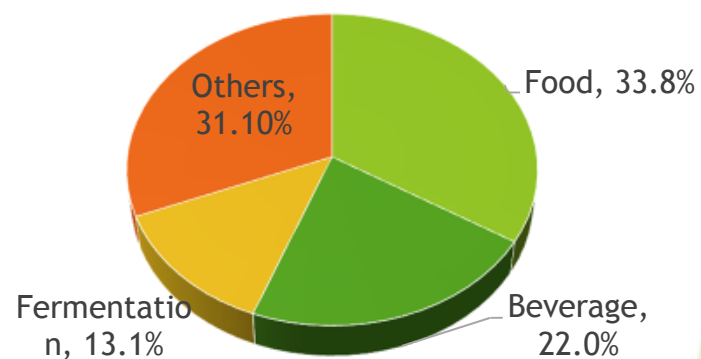
Revenue by Industry

FY15



Total Revenue: RMB2,431.4mil

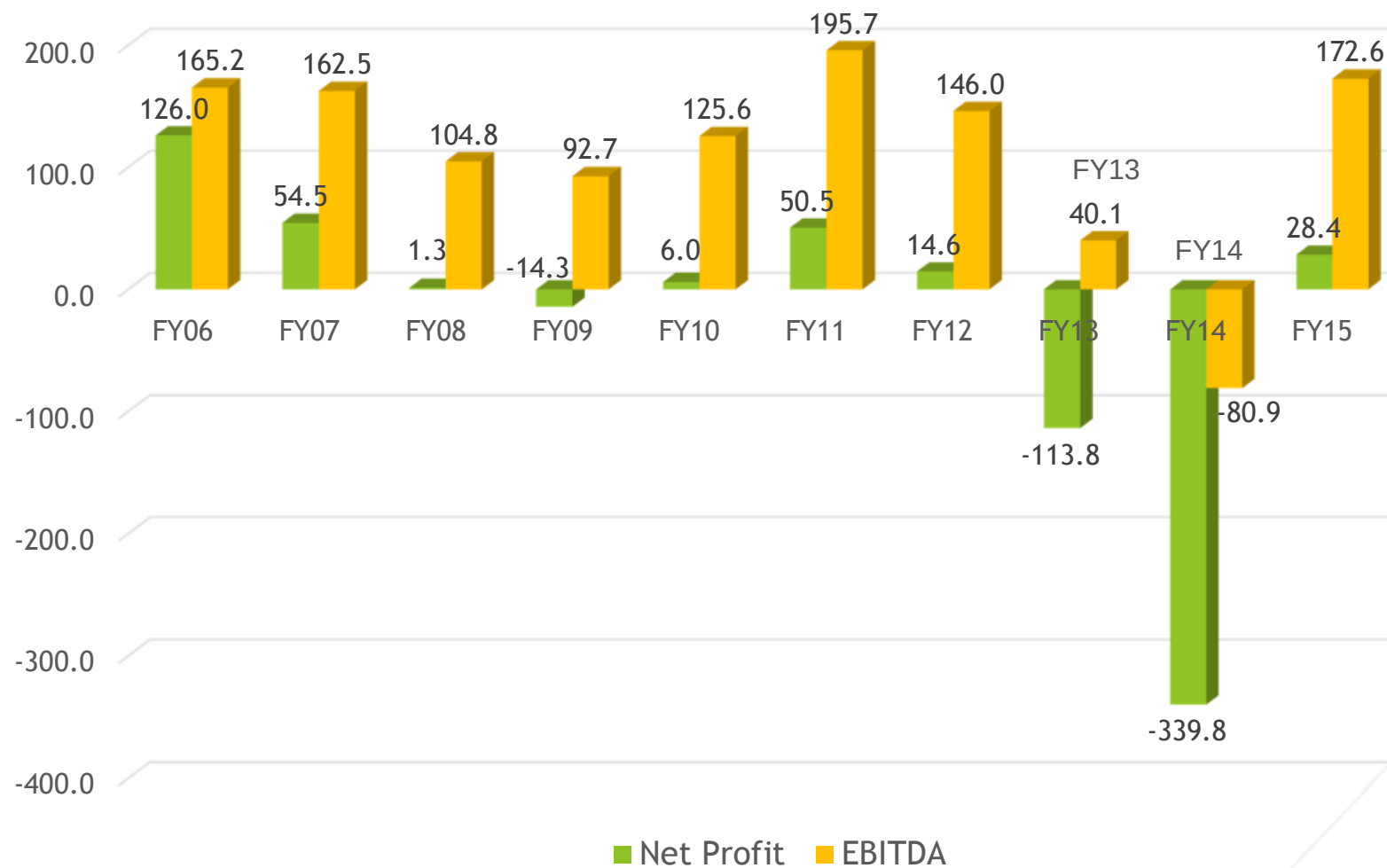
FY14



Total Revenue: RMB2,074.9 mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end FY15	As at end FY14	Chg (%)
Current Assets	591.2	502.0	17.8
- Cash & Cash Equivalents	166.9	54.6	205.6
- Inventories	198.2	238.9	(17.0)
- Trade and Other Receivables	226.1	207.6	8.9
Total Assets	1,285.0	1,240.8	3.6
Current Liabilities	560.6	550.4	1.8
- Trade and Other Payables	286.1	319.5	(10.5)
- Short Term Borrowings	265.0	224.0	18.3
Long Term Borrowings	562.4	577.2	(2.6)
Total Liabilities	1,158.4	1,168.6	(0.9)

Balance Sheet Highlights

RMB'mil	As at end FY15	As at end FY14	Chg (%)
Inventory Turnover Days	37	47	(21.3)
Receivables Turnover Days	27	33	(18.2)
Payables Turnover Days	36	40	(10.0)
Debt to Equity Ratio [#]	6.54	10.96	(40.3)
Price to Book Value [*]	0.84	0.60	40.0

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

^{*} *Based on share price of RMB 0.178 as at February 10, 2016*

Cash Flow Statement Highlights

RMB'mil	FY15	FY14	Chg (%)
Net Cash Generated from Operating Activities	150.1	12.7	1,086.6
Net Cash (Used in) /Generated from Investing Activities	(30.5)	10.8	(382.8)
Net Cash (used in) Financing Activities	(88.3)	(39.1)	126.2
Net Increase/(Decrease) in Cash & Bank Balances	31.3	(15.6)	300.3
Cash & Bank Balances at Beginning of Period	50.6	66.2	(23.6)
Cash & Bank Balances at End of Period	81.9	50.6	61.8

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
- Organic growth driven by increasing consumption levels in China

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