



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

A Mouth-Watering China Consumption Story



**Corporate
Presentation and
4QFY17 Results**

February 27, 2018

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Business Overview

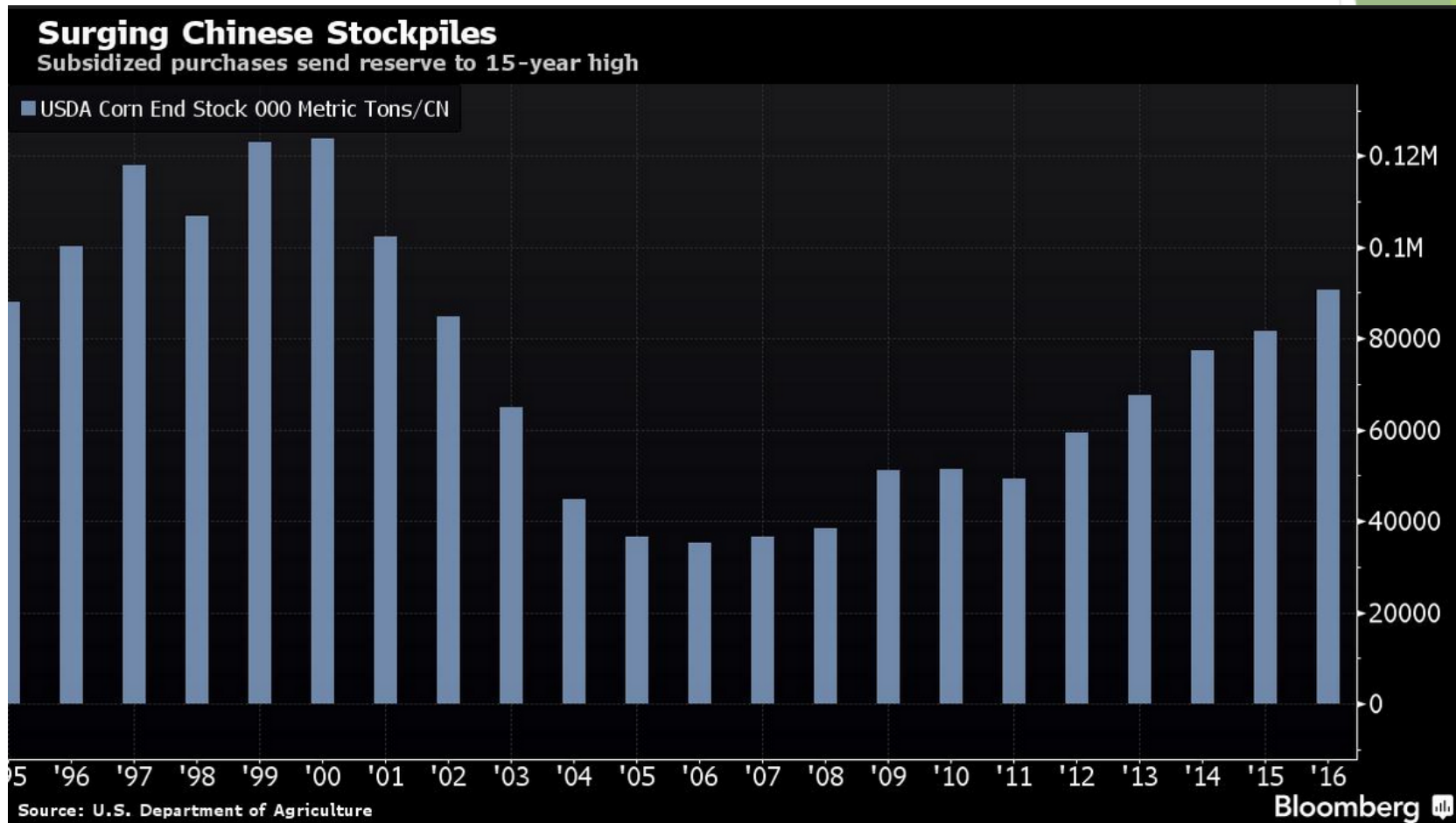


Operating Climate

- In line with the government policy, the Group expects to face with the tightening of bank loans and with higher borrowing interest rates. This will increase the overall production costs of the Group.
- In addition, 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 to face with stiff competition among the corn sweetener players in the industry especially from state-owned corn sweetener manufacturers.
- 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 will also be challenging to the Group

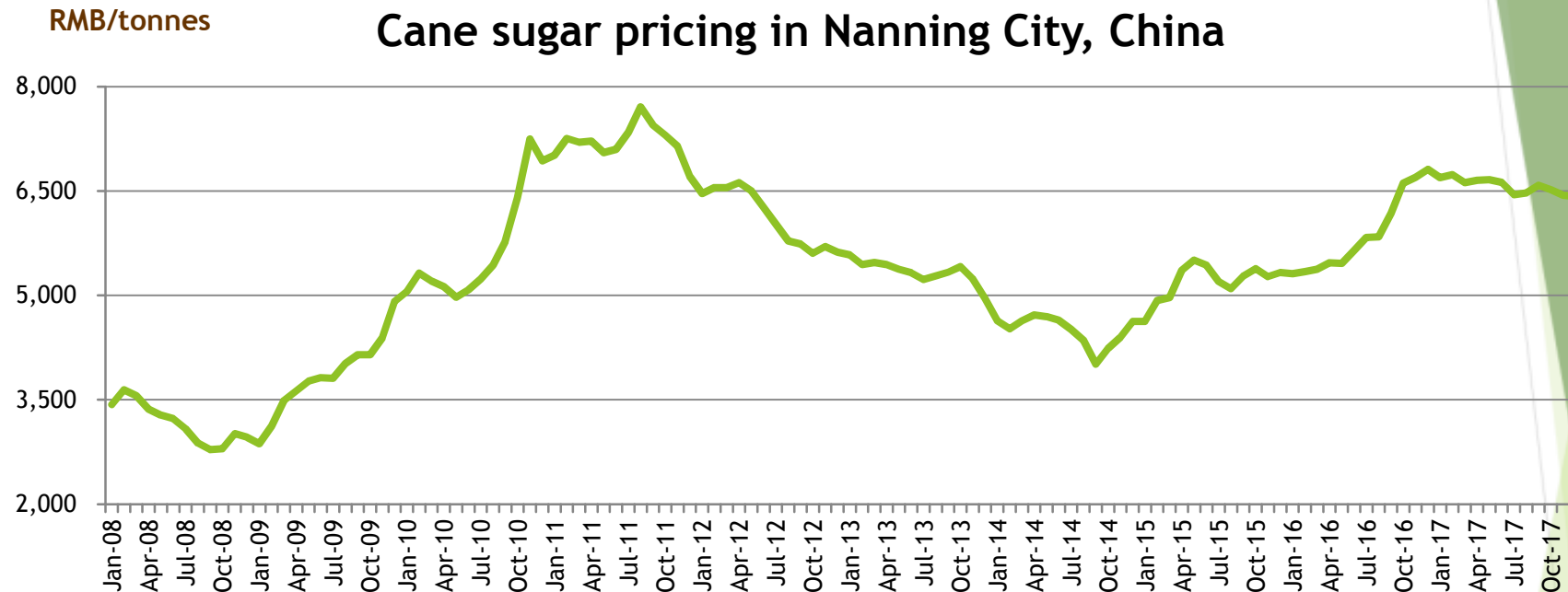
Operating Climate

- 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-shrunken-harvest>

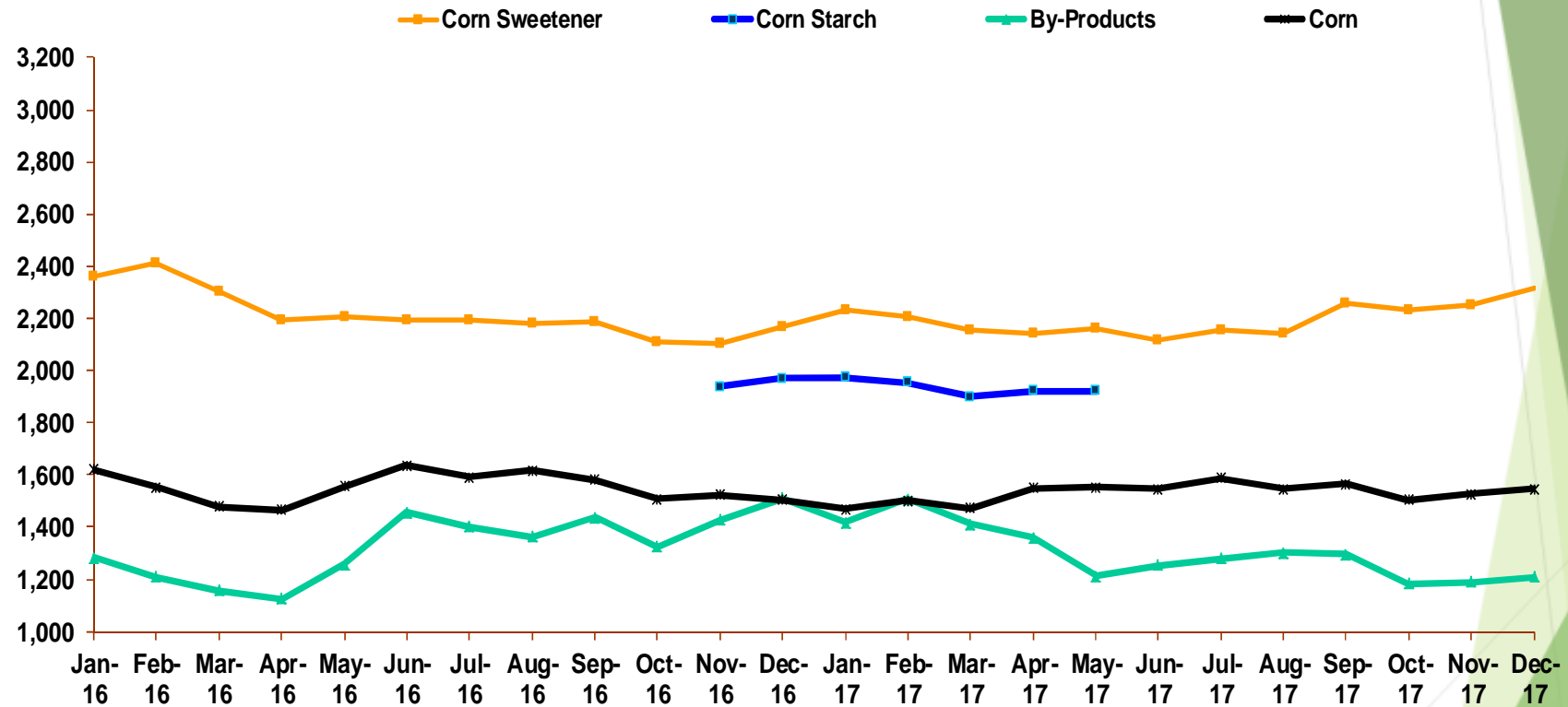
Price Comparisons to Cane Sugar



- 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 (at December 2017) are as follows:
 - Fructose: RMB 2,441/tonne
 - Dextrose: RMB 2,350/tonne
 - High Maltose Syrup: RMB 2,105/tonne

Price Trends

RMB/tonnes
(excluding taxes)



Source: Company

Financial Highlights



FY17 Financial Highlights

- **Group revenue increased by 6.1% y-o-y**
- **Gross profit margin of 10.3%, 7.2% lower y-o-y;**
- **Net loss of RMB 33.5 million, decreased by 341.5% compared with net profit of RMB 13.9 million in FY16**
- **Net loss margin of 1.6%, decreased significantly compared with net profit margin of 0.7% in FY16**
- **Cash and cash equivalents of RMB 190.3 million as at 31 December, 2017 (RMB 301.2 million as at 31 December, 2016)**

Income Statement Highlights

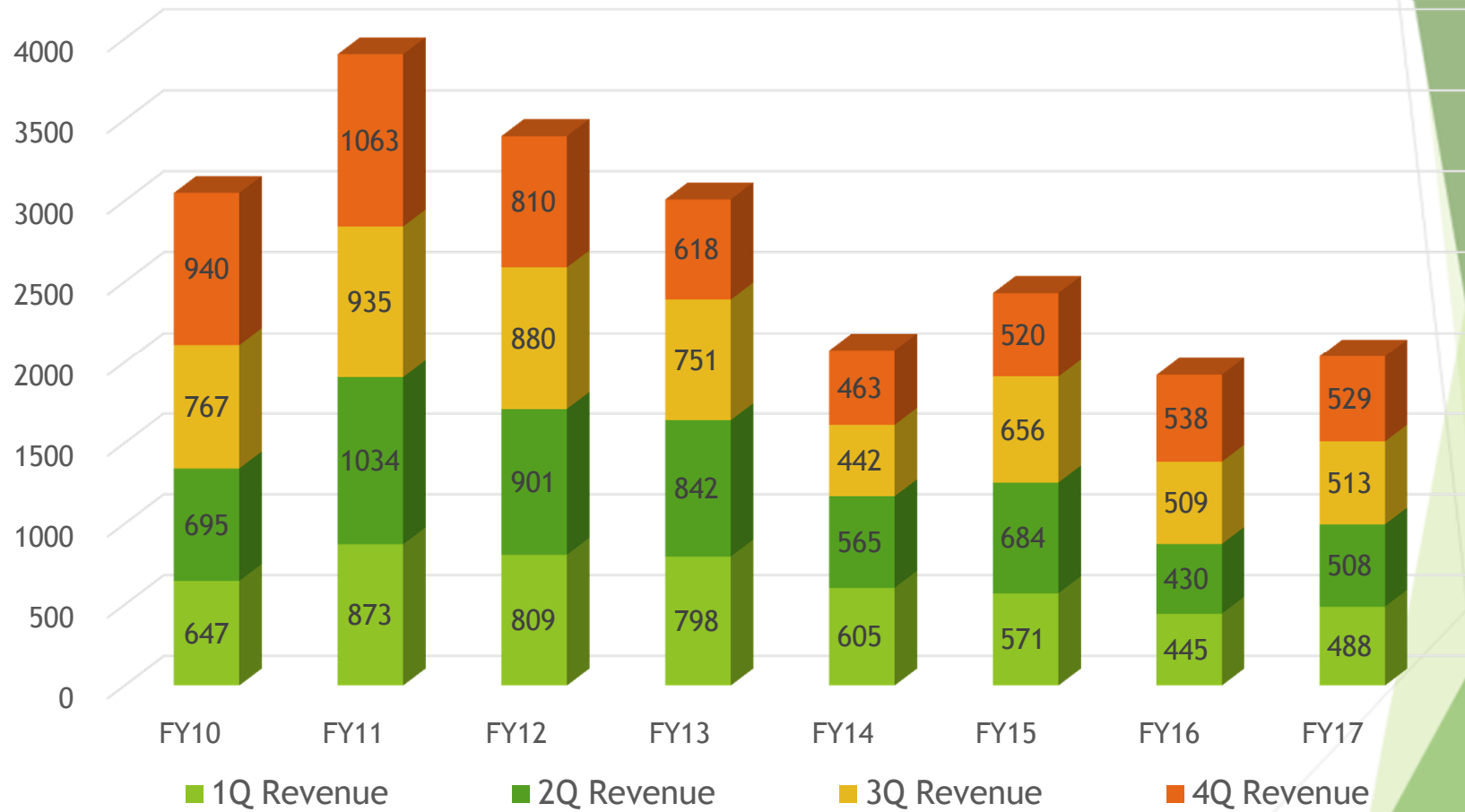
RMB'mil	4QFY17	4QFY16	y-o-y Chg (%)	FY17	FY16	y-o-y Chg (%)
Revenue	528.9	537.5	(1.6)	2,038.3	1,921.8	6.1
Gross Profit	64.7	66.5	(2.7)	209.1	212.4	(1.5)
Loss/Profit Before Tax	(34.2)	45.9	(174.5)	(32.8)	18.9	(274.0)
Net Loss/Profit	(34.3)	44.7	(176.7)	(33.5)	13.9	(341.5)
Gross Profit Margin	12.2%	12.4%	(1.6)	10.3%	11.1%	(7.2)
Net Loss/Profit Margin	(6.5%)	8.3%	(178.3)	(1.6%)	0.7%	(328.6)

4Q: Three months ended December 31

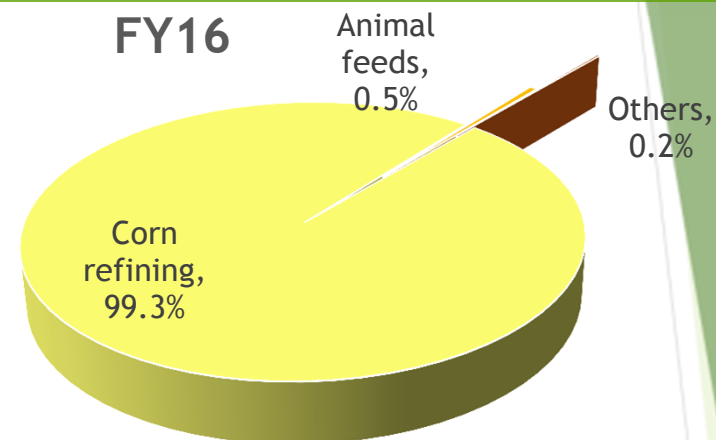
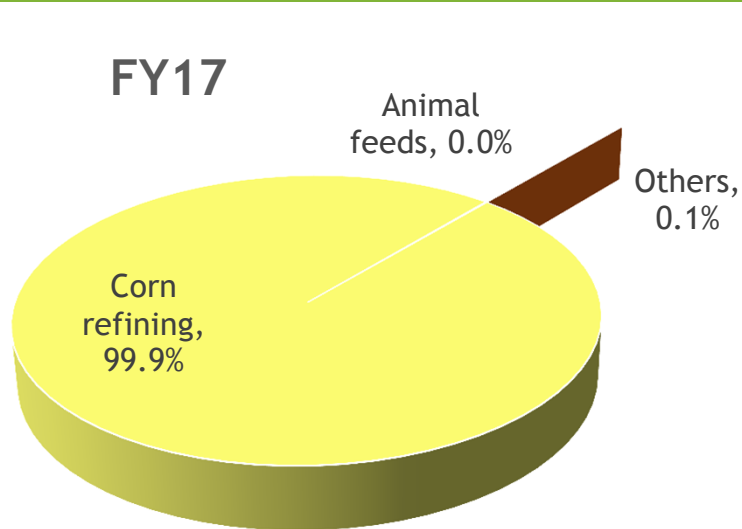
FY: Twelve months ended December 31

Revenue

RMB'mil



Revenue by Product Categories



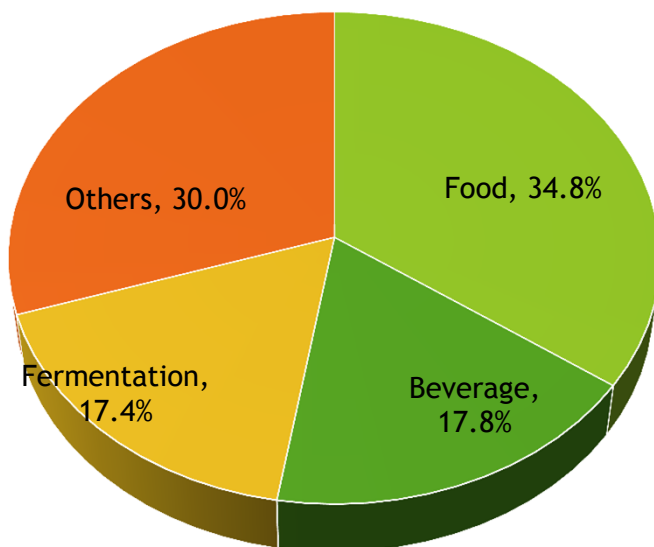
Total Revenue: RMB 2,038.3 mil

Total Revenue: RMB 1,509.4 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	6.8%	10.4%	(0.9%)	10.2%	(8.1%)
Animal feed	(100.0%)	(100.0%)	NA	-	NA

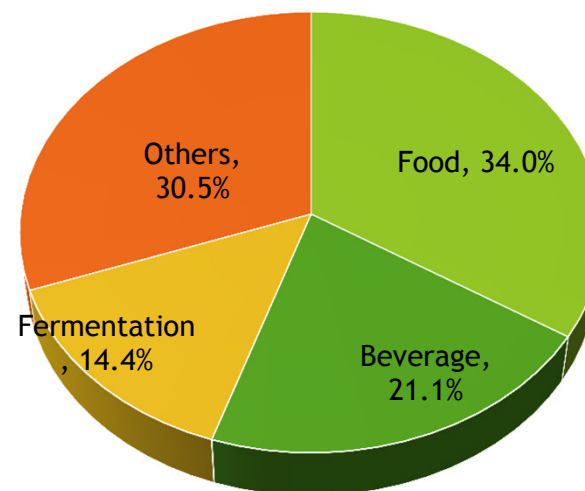
Revenue by Industry

FY17



Total Revenue: RMB 2,038.3 mil

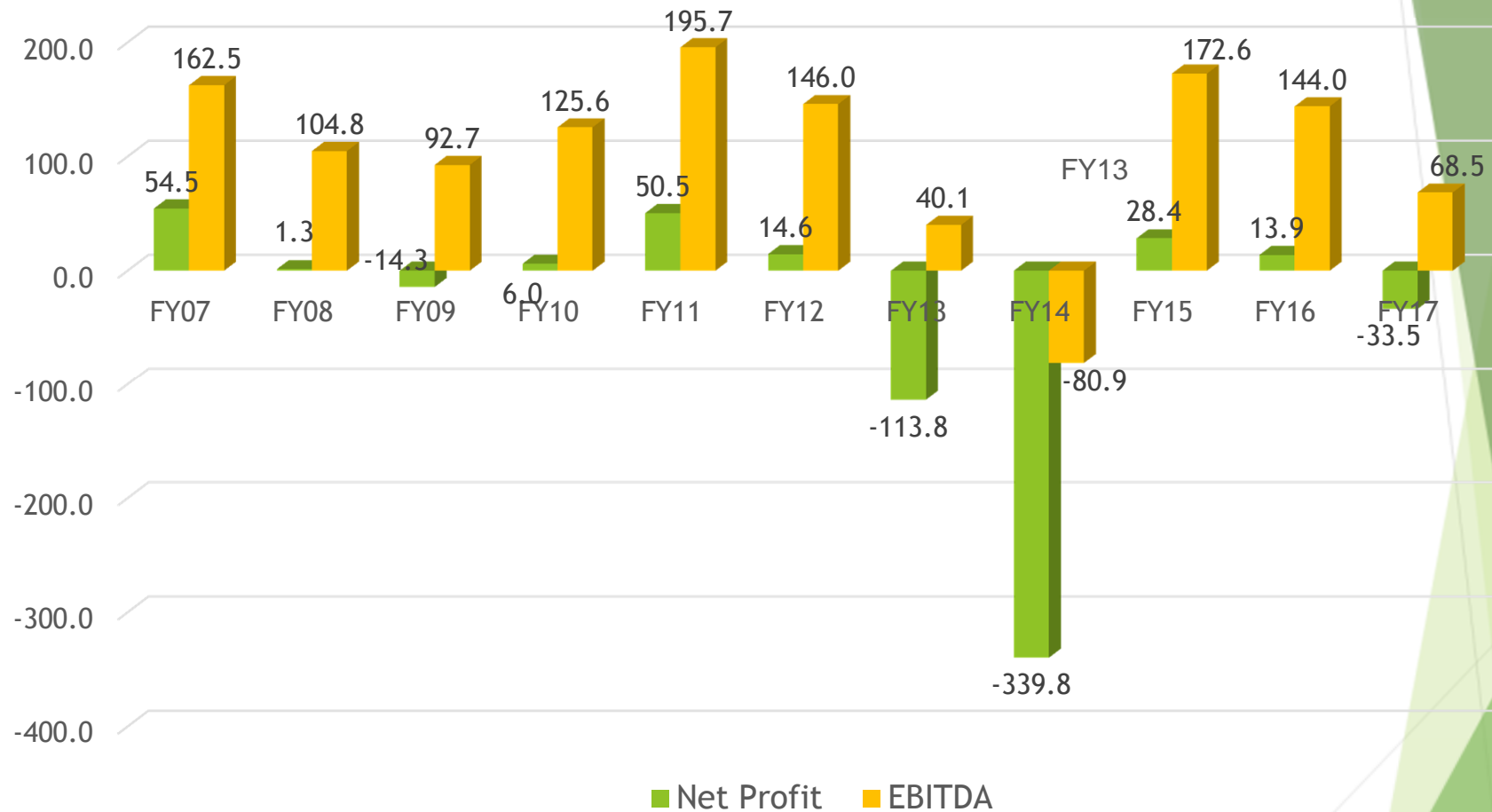
FY16



Total Revenue: RMB 1,509.4mil

Net Profit/EBITDA

RMB'mil



Balance Sheet Highlights

RMB'mil	As at end FY17	As at end FY16	Chg (%)
Current Assets	602.3	779.5	(22.7)
- Cash & Cash Equivalents	190.3	301.2	(36.8)
- Inventories	188.4	175.6	7.3
- Trade and Other Receivables	223.0	301.9	(26.1)
Total Assets	1,288.5	1,483.2	(13.1)
Current Liabilities	568.1	670.7	(15.3)
- Trade and Other Payables	341.0	332.7	2.5
- Short Term Borrowings	220.0	330.0	(33.3)
Long Term Borrowings	587.0	640.0	(8.3)
Total Liabilities	1,193.1	1,348.5	(11.5)

Balance Sheet Highlights

RMB'mil	As at end FY17	As at end FY16	Chg (%)
Inventory Turnover Days	36	40	(10.0)
Receivables Turnover Days	32	35	(8.6)
Payables Turnover Days	48	47	2.1
Debt to Equity Ratio [#]	8.46	7.20	17.5
Price to Book Value [*]	0.62	0.66	(6.1)

Total interest bearing loans / Total equity

** Based on share price of RMB 0.10 as at February 5, 2018*

Cash Flow Statement Highlights

RMB'mil	FY17	FY16	Chg (%)
Net Cash Generated from Operating Activities	135.7	147.4	(7.9)
Net Cash (Used in) Investing Activities	(25.5)	(99.6)	(74.4)
Net Cash (Used in)/Generated from Financing Activities	(172.4)	25.4	(778.7)
Net (Decrease)/Increase in Cash & Bank Balances	(62.2)	73.3	(184.9)
Cash & Bank Balances at Beginning of Period	155.2	81.9	89.5
Cash & Bank Balances at End of Period	93.0	155.2	(40.1)

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**
- **Delaying the expansion plan into Xinjiang due to poor market conditions**

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