



# China Essence Group Ltd.

## 嵩天集团有限公司

sustainability

Presentation by

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Chairman & CEO (主席兼总裁)

31 May 2011

# In the next 30 min...纲要

- Who we are? 公司背景
- What do we do? 业务性质
- Why are we special? 竞争优势
- How have we performed? 财务表现
- How can we continue to grow? 展望



# Company Profile

## 公司简介

*One of the leading integrated producers of  
potato products in the  
People's Republic of China*

*中国最大的马铃薯产品综合式生产商之一*

# Company Overview 公司信息一览

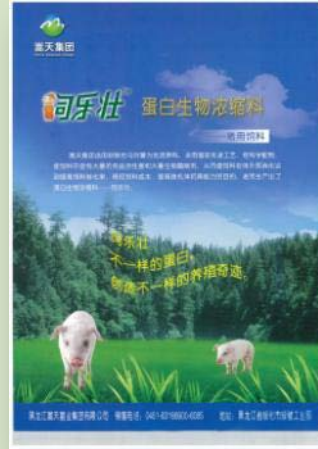
- Leading producer potato products in the PRC 中国最主要的马铃薯生产商之一
- 25<sup>th</sup> (out of 200) on Forbes China's Most Promising Companies list in 2010 福布斯中国最具潜力企业排名第25
- National Agricultural Industrialisation Dragon Head Enterprise 国家级农业龙头企业奖
- Main operations in Heilongjiang and Inner Mongolia, head office in Beijing 主要业务位于黑龙江和内蒙古；总部设于北京
- Listed on the Singapore Exchange on 13 February 2006  
2006年2月13日挂牌于新加坡

# What do we do? 核心业务

- Leading integrated potato-processing producer in the PRC 马铃薯产品的综合式生产商
- Produce and distribute 生产销售:
  - Potato starch 马铃薯淀粉
  - Potato starch-based products 马铃薯淀粉制成产品



# Our Product Range 嵩天的产品种类



**Main product**  
核心产品

Potato starch  
马铃薯淀粉

**Potato starch-based products**  
淀粉制成品

Vermicelli 粉丝  
Starch strips 粉皮  
Five-grain noodles  
五谷面  
Modified starch  
变性淀粉

**By-products**  
附加产品

Animal feed  
(potato protein fibre)  
动物饲料 (薯渣)

# What is Potato Starch?

## 什么是马铃薯淀粉?

Potato starch is a high quality starch;

- colourless and odourless 无色无味
- greater adhesiveness 黏度高
- preferred raw material for diverse applications 工业首选原料



# Diverse Applications of Potato Starch

## 马铃薯淀粉的多元用途

- Food Processing and Catering\* 食品加工
- Textiles\* 纺织
- Pharmaceuticals 药剂业



- Oil & Mining 石油/采矿
- Paper Manufacturing\* 造纸业
- Adhesives



- Personal Care and Cosmetics 化妆品
- Biodegradable Plastics 生物分解塑料
- Other industries 其他

\*Industries to which China Essence's products currently reach

# Global Overview 行业概况

- Asia and Europe the world's major potato producing regions  
亚洲和欧洲是世界最主要的马铃薯生产地
- Potato is the world's number one non-grain food commodity, with 330m tonnes annual production  
马铃薯是世界第一大非谷类的食用商品
- China is the top potato producer in the world, with 72m tonnes, one-fifth of world production  
中国是世界最大的马铃薯生产商，年产量达7200万公吨
- Annual consumption of potato starch per capita: 0.8kg in the PRC, 10kg in Europe and Japan  
中国马铃薯常年个人消费量：0.8公斤；欧洲和日本为10公斤

Source: FAO, International Year of the Potato 2008 website

# Production Facilities 生产基地及产能

## Potato starch 马铃薯淀粉

- Lindian 林甸  
50,000 tonnes
- SuiLing 绥棱  
80,000 tonnes
- Ahlihe 阿里河  
40,000 tonnes
- Nenjiang 嫩江  
40,000 tonnes
- Zhalantun 扎兰屯  
40,000 tonnes

## Vermicelli, starch strips, five-grain noodles 粉丝，份皮，五谷面

- Lindian 林甸 22,000 tonnes



# Production Facilities 生产基地及产能

**Modified starch**  
变性淀粉

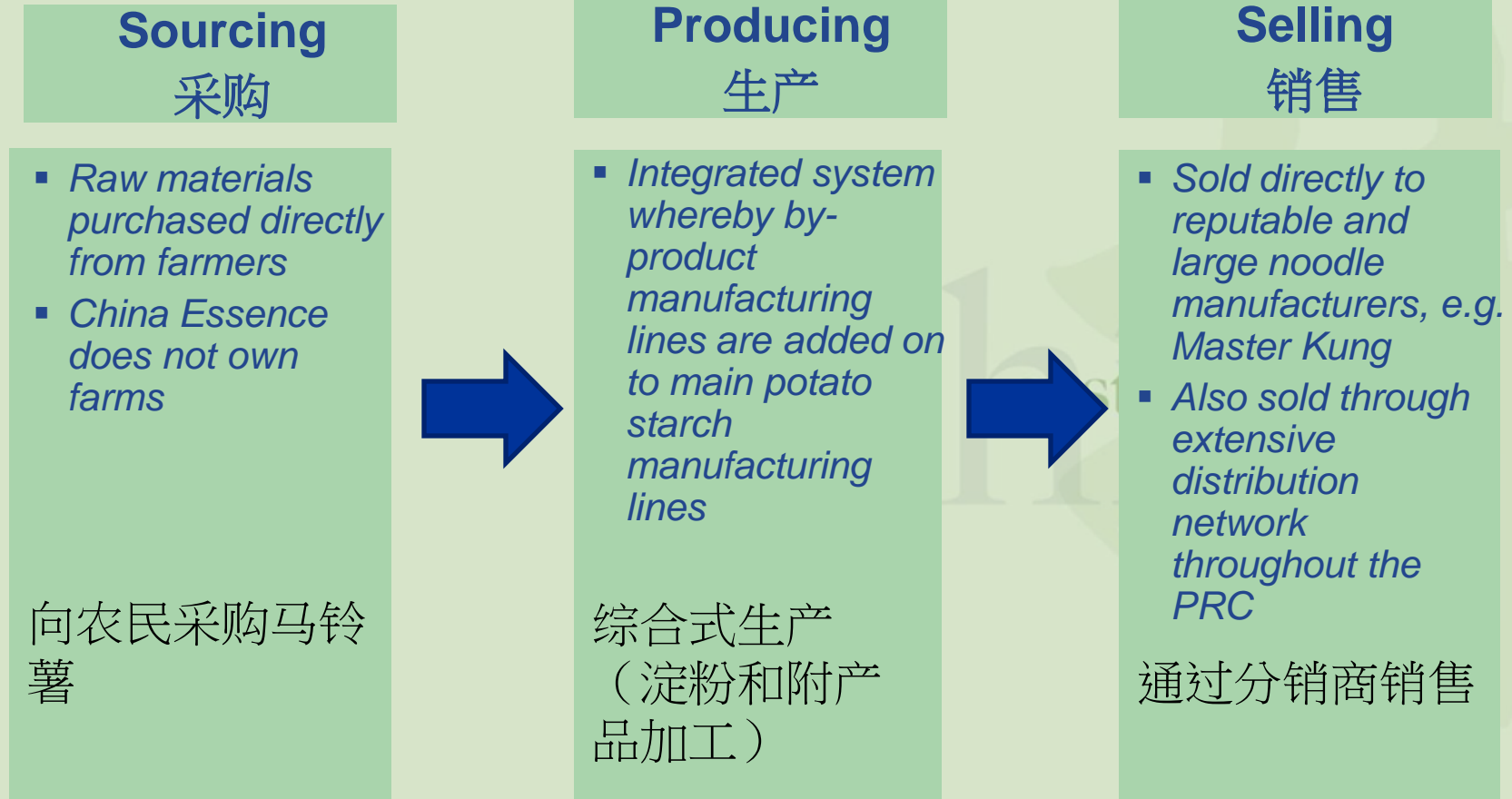
- Lindian 林甸 18,000 tonnes

**Animal feed**  
**(Potato protein, fibre)**  
饲料（薯渣和蛋白）

- Suiling, Lindian , Ahlihe 绥棱，林甸，阿里河  
160,000 tonnes



# Business Model 运作模式



# Production Timeline 生产时间表

Jan – Mar 1-3月	Apr – Jun 4-6月	Jul – Sep 7-9月	Oct – Nov 10-11月
<p><i>China Essence signs contracts with farmers to secure quantity of potatoes needed for the year's production needs.</i></p> <p>与农民开始商讨采购价格</p>	<p><i>Other corporate activities take centrestage, e.g. participation in trade fairs, construction of new plants, expansion of distributorship, booking of orders from distributors, etc.</i></p> <p>展开一般的企业和业务开发活动，如：参加商贸展销会、盖厂房，招募分销商</p>	<p><i>Harvest season for potatoes begin in late August. Potato starch production lines are operational 24 hours, 7 days a week to produce the starch. Protein and fibre are also produced.</i></p> <p>收成季节从8月底开始，淀粉每天24小时生产；也同时生产蛋白和薯渣</p>	<p><i>Harvest season ends in mid Nov.</i></p> <p>收成季节11月中结束</p>

*Note:*

*Potatoes can only be stored for a week, while starch can be kept for up to two years  
Potato starch-based products and by-products are manufactured throughout the year*

# Competitive Strengths

## 竞争优势

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# Why do we stand out? 我们有哪些强项?

## A. Integrated producer of potato products 综合式生产

We produce potato starch *and* downstream potato starch-based products

生产马铃薯淀粉和下线产品



- Cost efficiency 成本效率
- Stringent quality assurance 品质管理严格
- Timely management of production schedules and inventory 有效管理生产排期规划和存货水平



## B. Strategic location 优越的地理位置



- China is currently the world's largest potato producer, producing 34% of the world's supply of potatoes 中国是世界最大马铃薯出产地
- China Essence is located in northeast China, in Heilongjiang
- Access to high quality potatoes due to favourable climate and soil conditions 黑龙江气候和土地适合马铃薯生长



## C. Innovate to stay ahead 重视研发和创新



- Two R & D divisions: 两个研发部门
  - 1. Potato cultivation technology 马铃薯种植技术
    - Better quality potatoes, shortened maturity period, higher starch content
  - 2. Potato-based products development 新产品开发
    - New products, improved production technologies eg. China Essence's proprietary Five-Grain Noodles, modified starch, animal feed (五谷面、变性淀粉、饲料)

## D. Extensive distribution network 广大的营销网络

- 106 distributors across 48 cities in 21 provinces and municipalities in the PRC  
遍布48个省份21个县区的106个分销商
- The Company is looking to beef up its presence in the South of PRC, especially in Guangzhou  
扩大中国南部的分销网络, 尤其是在广州一带



## E. Strong brand equity 强大的品牌地位

- Established market position in the PRC 市场地位备受认可
- Well-known brand names 产品品牌知名度高：东北、水牛、饲乐康、饲乐壮



# What's the competition like?

## 市场竞争如何？

- Fragmented industry 零散性产业
- Few closest competitors in the PRC with average capacity each of 20,000-90,000 tonnes 其他竞争者平均产量两万到9万吨
- Focused on potato starch production and does not have unique products (e.g. China Essence has its proprietary five-grain noodles ; animal feed products)
- China Essence is one of the few integrated processors in PRC 嵩天是少有的综合式马铃薯淀粉生产商

# Promising market prospects 市场前景庞大

**Strong demand for potato starch**  
市场需求大

- Annual demand exceeds annual supply in the PRC
- Current demand is approximately 900,000 tonnes per annum and could growing at a rate of 10% per year

**Economic growth**  
经济增长

- Increasing disposable income levels → higher spending on high quality products

**High consumption growth**  
消费增长

- Annual consumption within the PRC still lags behind those of Europe and Japan (0.8kg per capita vs >10kg per capita)

# Promising product prospects 产品潜力

## Wide industrial applications 工业用途广泛

- Industries such as pharmaceutical, textile, paper, oil and cosmetics
- Industrial applications account for 80% of all usage in developed countries vs. PRC's usage is predominant in food processing and catering

## Modified starch 变性淀粉

- Used for a myriad of industrial applications, as mentioned above
- A key growth driver

## Potato protein 蛋白

- Used extensively across high value added food applications, e.g. Animal feed, dairy food, seafood, nutritional beverages, snacks, dietary supplements, sauces etc.

## Animal feed/ Potato fibre 薯渣/饲料

- Over 30 million cows and pigs in inner Mongolia and Heilongjiang provinces alone, requiring over 30 million tonnes of feed a year
- Farmers are on the lookout for cheaper substitutes, in place of traditional corn-based type of feed

# Financial Highlights

## 财务表现

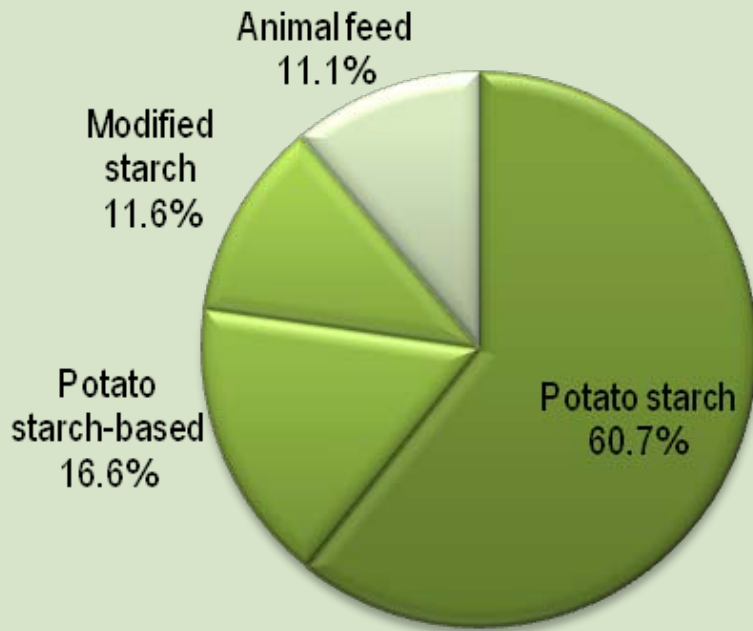
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# FY2011 Review 年度业绩比较

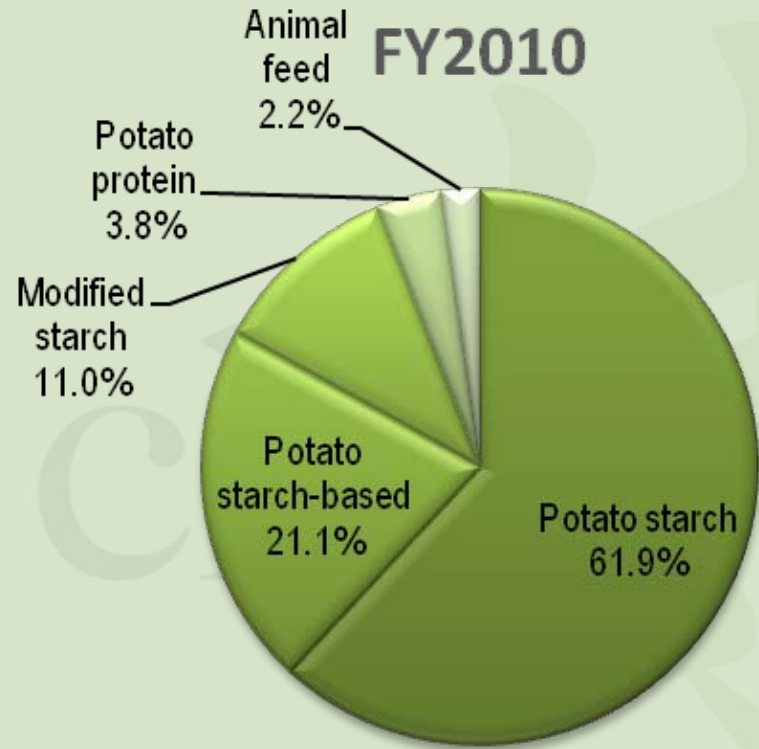
RMB'm	FY2011	FY2010	% Change
Revenue 营业额	998.9	834.3	+20
Gross profit 毛利	376.7	287.7	+31
EBITDA	324.4	252.3	+29
Operating profit 营业盈利	243.7	193.4	+26
PBT 税前盈利	211.6	168.7	+25
Net profit 净利	166.7	136.4	+22

# Revenue Breakdown 营业额分布

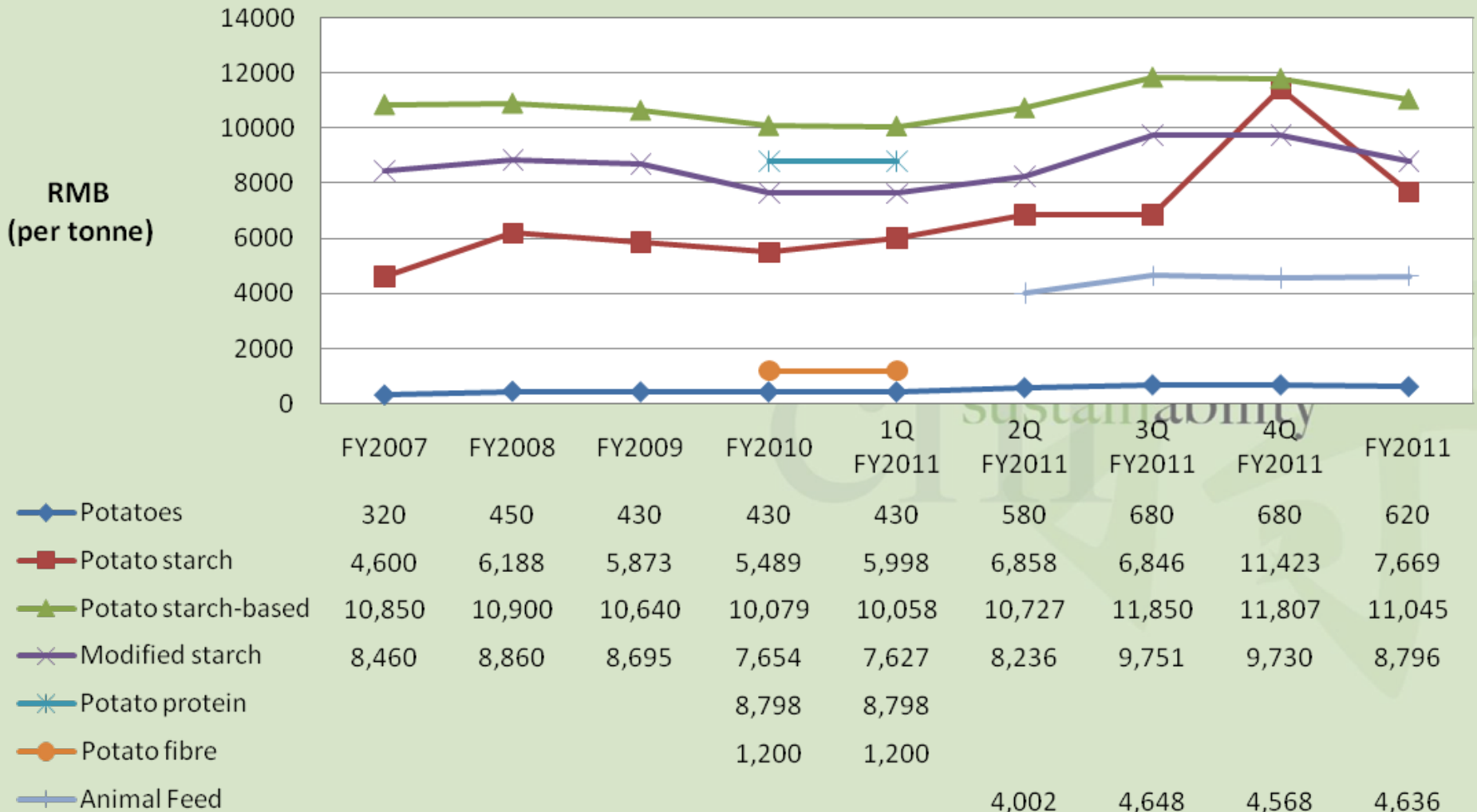
FY2011



FY2010



# Price Trends 价格走势



# Margin Analysis 盈利率表现

	FY2007	FY2008	FY2009	FY2010	FY2011
GP margins (%)	48.3	44.6	39.9	34.5	37.7
EBITDA margins (%)	42.0	39.0	35.0	30.0	32.5
PBT margins (%)	37.3	32.4	24.2	20.2	21.2
NP margins (%)	28.2	27.7	19.3	16.3	16.7
Revenue growth (%)	35	65	4	-6	20
GP growth (%)	37	52	-7	-19	31
NP growth (%)	22	62	-28	-25	22

# Balance Sheet Highlights 资产负债表

RMB'million	As at 31 Mar 2011	As at 31 Mar 2010
Total assets	2,176.6	2,005.2
Non-current assets	1,216.3	1,181.8
Inventories	48.1	94.9
Trade receivables	302.7	287.4
Cash at bank and in hand	583.7	432.4
Total liabilities	818.7	832.8
Non-current liabilities	-	247.3
Shareholders' equity	1,357.9	1,172.4

# Outlook 展望

- Long-term demand for potato starch remains well-supported by wide application in food and non-food industries, in line with growing world population

马铃薯淀粉长期市场展望良好

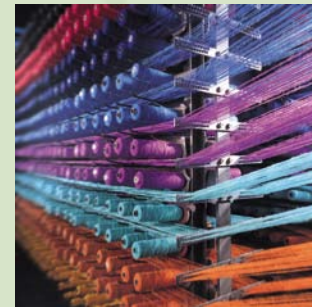
- PRC government's new levy of countervailing duties on imported starch from EU bodes well for local producers including China Essence

中国商务部最近宣布推出一项五年的反补贴政策，对原产于欧盟的进口马铃薯淀粉，征收反补贴税

# Conclusion总结

A leading integrated potato products producer  
中国领先的马铃薯产品综合式生产商

- Industry pioneer 业内翘楚
- Huge market potential 庞大市场潜能
- Strong focus on R&D 研发实力
- Strong fundamentals 稳健的基础面





**Thank You**

谢谢

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