



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

First Quarter Results

Announcement for the Period

Ended 31 March 2016



UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a) The comprehensive income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding year.

	3 months ended		
	31/03/2016 RMB'000	31/03/2015 RMB'000	Change %
Revenue	444,549	570,590	(22.1)
Cost of sales	(397,983)	(512,822)	(22.4)
Gross profit	46,566	57,768	(19.4)
Other operating income	6,007	12,180	(50.7)
Selling and distribution expenses	(25,023)	(21,484)	16.5
Administrative expenses	(27,526)	(22,629)	21.6
Other operating expenses	(82)	(318)	(74.2)
Finance expenses	(12,681)	(15,106)	(16.1)
(Loss)/profit before taxation	(12,739)	10,411	(222.4)
Taxation	(1,530)	(1,503)	1.8
(Loss)/profit for the period and total comprehensive (loss) /income	(14,269)	8,908	(260.2)
Total comprehensive (loss)/income attributable to:			
Equity holders	(14,269)	8,908	(260.2)
Gross profit margin	10.5%	10.1%	4.0
Net (loss)/profit margin	(3.2%)	1.6%	(300.0)
(Loss)/profit per share (RMB cents)			
- basic	(2.4)	2.2	(209.1)
- diluted	(2.4)	2.2	(209.1)

Notes to the Comprehensive Income Statement

	3 months ended		Change %
	31/03/2016	31/03/2015	
	RMB'000	RMB'000	
(Loss)/profit before tax is arrived at after charging/ (crediting):			
Interest income	(421)	(367)	14.7
Interest expense on borrowings	12,681	15,106	(16.1)
Depreciation of plant and equipment	19,868	19,538	1.7
Amortisation of land use rights	267	267	-
Amortisation of government grants	(1,562)	(1,521)	2.7
Foreign currencies exchange (gain)/loss	(65)	13	600.0
(Gain)/loss on disposal of plant and equipment	(179)	89	301.1
Reversal of allowance for slow-moving inventory	-	(22)	(100.0)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31-Mar-2016	31-Dec-2015	31-Mar-2016	31-Dec-2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	161,909	198,227	-	-
Trade receivables	177,918	183,895	-	-
Other receivables, deposits and prepayments	55,236	42,175	10,814	10,786
Amount owing by a related parties	350	-	-	-
Cash and cash equivalents ⁽¹⁾	278,746	166,919	14,492	16,613
	<u>674,159</u>	<u>591,216</u>	<u>25,306</u>	<u>27,399</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	661,490	647,968	-	-
Land use rights	45,499	45,766	-	-
	<u>706,989</u>	<u>693,734</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,381,148</u>	<u>1,284,950</u>	<u>397,960</u>	<u>400,053</u>
LIABILITIES				
Current liabilities				
Trade payables	194,598	208,172	-	-
Other payables and accruals	70,825	77,890	532	950
Amount owing to related parties	525	525	8,742	8,358
Interest-bearing loans and borrowings	391,000	265,000	-	-
Deferred income	6,248	6,248	-	-
Income tax payable	2,416	2,748	-	-
	<u>665,612</u>	<u>560,583</u>	<u>9,274</u>	<u>9,308</u>
Non-current liabilities				
Interest-bearing loans and borrowings	569,400	562,400	-	-
Deferred income	33,312	34,874	-	-
Deferred taxation	589	589	-	-
	<u>603,301</u>	<u>597,863</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,268,913</u>	<u>1,158,446</u>	<u>9,274</u>	<u>9,308</u>
NET ASSETS	<u>112,235</u>	<u>126,504</u>	<u>388,686</u>	<u>390,745</u>
EQUITY				
Share capital	308,723	308,723	308,723	308,723
Statutory reserves	90,893	90,893	-	-
Accumulated (loss)/profits	(287,381)	(273,112)	79,963	82,022
TOTAL EQUITY	<u>112,235</u>	<u>126,504</u>	<u>388,686</u>	<u>390,745</u>

(1) The Group's cash and cash equivalents comprised cash and bank balances and pledged cash deposits as follow:

	31- Mar-2016	31-Dec-2015
	RMB'000	RMB'000
Cash and bank balances	104,746	81,919
Pledged cash deposits	174,000	85,000
	278,746	166,919

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31-Mar-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
371,000	20,000	235,000	30,000

Amount repayable after one year

As at 31-Mar-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
311,000	258,400	254,000	308,400

Details of any collateral

As at 31 March 2016, the interest-bearing loans and borrowings of the Group were secured or guaranteed by the following:

- (i) pledge of certain property, plant and equipment of the Group;
- (ii) pledge of certain land use rights of the Group;
- (iii) corporate guarantee given by related parties;
- (iv) corporate guarantee given by third parties; and
- (v) pledge of cash deposit of the Group.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1st quarter ended	
	31-Mar-2016	31-Mar-2015
	RMB'000	RMB'000
Operating activities		
(Loss)/profit before taxation	(12,739)	10,411
Adjustments for:-		
Depreciation of plant and equipment	19,868	19,538
Amortisation of land use rights	267	267
Amortisation of government grants	(1,562)	(1,521)
(Gain)/loss on disposal of plant and equipment	(179)	89
Interest expense	12,681	15,106
Interest income	(421)	(367)
Reversal of allowance for slow-moving inventory	-	(22)
Operating profit before working capital changes	17,915	43,501
Changes in working capital:		
Inventories	36,318	(20,450)
Trade receivables	5,977	(24,441)
Other receivables, deposits and prepayments	(13,061)	(3,586)
Amount owing by related parties	(350)	(2,325)
Trade payables	(13,574)	77,412
Other payables and accruals	(7,065)	(3,537)
Amount owing to related parties	-	925
Cash generated from operations	26,160	67,499
Income taxes paid	(1,862)	-
Net cash generated from operating activities	24,298	67,499
Investing activities		
Purchase of plant and equipment	(35,215)	(7,689)
Proceeds from disposal of plant and equipment	2,004	1,950
Interest income received	421	367
Net cash (used in) investing activities	(32,790)	(5,372)
Financing activities		
Interest expense paid	(12,681)	(15,106)
Increase in pledged cash deposits	(89,000)	(114,000)
Repayment of interest - bearing loans and borrowings	(338,000)	(290,000)
Proceeds from interest - bearing loans and borrowings	471,000	374,000
Net cash generated from/(used in) financing activities	31,319	(45,106)
Net increase in cash and bank balances	22,827	17,021
Cash and bank balances at beginning of period	81,919	50,618
Cash and bank balances at end of period	104,746	67,639

- 1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
GROUP**

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	Accumulated Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2016	308,723	90,893	(273,112)	126,504
Total comprehensive loss for the period	-	-	(14,269)	(14,269)
Balance as at 31 March 2016	308,723	90,893	(287,381)	112,235

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	Accumulated Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2015	282,820	90,893	(301,493)	72,220
Total comprehensive income for the period	-	-	8,908	8,908
Balance as at 31 March 2015	282,820	90,893	(292,585)	81,128

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2016	308,723	82,022	390,745
Total comprehensive loss for the period	-	(2,059)	(2,059)
Balance as at 31 March 2016	308,723	79,963	388,686

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2015	282,820	88,687	371,507
Total comprehensive loss for the period	-	(1,889)	(1,889)
Balance as at 31 March 2015	282,820	86,798	369,618

[#] In accordance with relevant PRC regulations, a wholly foreign owned enterprise in PRC is required to appropriate not less than 10% of its profit after tax to the statutory reserve, until the balance of the fund reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserves of the enterprise may be used to offset against its accumulated losses.

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since 31 December 2015. In addition, there were no outstanding convertibles or treasury shares as at 31 March 2016 and 31 March 2015.

- 1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	Company	
	31-Mar-2016	31-Dec-2015
Ordinary shares	594,000,000	594,000,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

None

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

There were certain new or amended Singapore Financial Reporting Standards ("SFRS") that have been issued for accounting periods beginning on or after 1 January 2016. The adoption of these SFRS, where applicable, did not have any material impact on the financial statements for the 3-month period ended 31 March 2016. Apart from the new or amended SFRS, the Group has applied consistent accounting policies and methods of computation for current reporting period compared with the audited financial statements for FY2015.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

- 6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>3 months ended</u>	
	<u>31-Mar-2016</u>	<u>31-Mar-2015</u>
	RMB (cents)	RMB (cents)
(Loss) / Earnings per share		
(a) Based on weighted average number of ordinary shares in issue; and	(2.4)	2.2
Weighted average number of shares in issue	594,000,000	396,000,000
(b) On a fully diluted basis	(2.4)	2.2

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	31-Mar-2016	31-Dec-2015	31-Mar-2016	31-Dec-2015
Net asset value per ordinary share	RMB 18.9 cents	RMB 21.3 cents	RMB 65.4 cents	RMB 65.8 cents

31-Mar-2016

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the period of RMB 112,235,000 and the Company's net asset value as at the end of the period of RMB 388,686,000 divided by the share capital of 594,000,000 ordinary shares.

31-Dec-2015

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the year of RMB 126,504,000 and the Company's net asset value as at the end of the year of RMB 390,745,000 divided by the share capital of 594,000,000 ordinary shares.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

a) Comprehensive Income Statement

1QFY16 versus 1QFY15

Revenue

	1QFY16		1QFY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	435,364	97.9	532,240	93.3	(18.2)
Animal feeds	8,355	1.9	37,732	6.6	(77.9)
Others	830	0.2	618	0.1	34.3
Total	<u>444,549</u>	<u>100.0</u>	<u>570,590</u>	<u>100.0</u>	<u>(22.1)</u>

The Group's revenue for 1QFY16 decreased by RMB 126.0 million, or 22.1% year on year ("y-o-y"), due mainly to the decrease in revenue of our corn refining segment and animal feeds segment by 18.2% and 77.9% respectively. In 1QFY16, the sales volume and the selling price of our animal feeds segment decreased by 73.8% and 15.4% respectively.

For 1QFY16, sales volume for the corn refining segment decreased from 218K ("K"=1,000) tonnes to 204K tonnes or about 6.5% y-o-y, due mainly to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 4.3%, 100.0% and 12.2% respectively. This decrease was partially mitigated by the increase in the sales volume of corn oil of about 227.8% or about 0.2K tonnes. In 1QFY16, our Henan subsidiary had upgraded and modified its starch liquid production line in order to meet the stricter environmental requirements implemented by the central government, which resulted in lower output.

The prices of the corn refining products decreased significantly by 12.0% y-o-y due to stiff competition. Notably, the price of corn sweeteners and by-products decreased by about 12.5% and 16.0% respectively.

The Group's export revenue in 1QFY16 increased by 84.2% y-o-y, while export revenue as a percentage of total revenue increased from 1.7% in 1QFY15 to 4.1% in 1QFY16. This was because our corn sweetener products became more competitive for the export market in view of lower production costs, resulting from the lower average corn raw material prices.

1QFY16 versus 1QFY15

Gross profit and gross profit margin

	1QFY16		1QFY15	
	RMB'000	%	RMB'000	%
Corn refining	47,210	10.8	56,748	10.7
Animal feeds	(987)	(11.8)	815	2.2
Others	343	41.3	205	33.1
Total	<u>46,566</u>	10.5	<u>57,768</u>	10.1

During 1QFY16, gross profit decreased by 19.4% y-o-y to RMB 46.6 million. Revenue decreased by 22.1% y-o-y, while the cost of sales for the corresponding period decreased by 22.4%. Group gross profit margin increased by 4.0% y-o-y to 10.5%. This was mainly due to the significant decrease in the corn raw material prices of about 21.9%.

The Group's animal feeds segment made a gross loss of RMB 1.0 million in 1QFY16 as compared to a gross profit of about RMB 0.8 million in 1QFY15. This was mainly due to the significant decreases in both sales volume and selling price. In consideration of the negative gross profit margin, the Group has since suspended the production of the animal feed products.

The others segment made a gross profit of RMB 0.3 million in 1QFY16, compared with a gross profit of RMB 0.2 million in 1QFY15 due mainly to the increase of RMB 0.1 million in gross profit from our Hongzhou subsidiary.

Other operating income

Other operating income decreased from RMB 12.2 million in 1QFY15 to RMB 6.0 million in 1QFY16, due mainly to the decreases in insurance claim compensation, government grant and subsidies, and gain on sale of consumables and waste materials.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses increased by 16.5% from RMB 21.5 million in 1QFY15 to RMB 25.0 million in 1QFY16. This was mainly attributable to the increases in staff costs and transportation costs.

- Administrative expenses

The Group's administrative expenses increased by 21.6% from RMB 22.6 million in 1QFY15 to RMB 27.5 million in 1QFY16. This was mainly due to the increases in depreciation charge and staff costs.

- Other operating expenses

The Group's other operating expenses decreased by about RMB 0.2 million from RMB 0.3 million in 1QFY15 to about RMB 0.1 million in 1QFY16. This was mainly due to the decreases in loss from disposal of plant and equipment and administrative penalty.

Finance expenses

The Group's finance expenses decreased by 16.1% from RMB 15.1 million in 1QFY15 to RMB 12.7 million in 1QFY16. This was attributable to the decrease in interest costs resulting from the lower bank loan interest rate.

Taxation

The increase in income tax expense was due to the net profit generated from our Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, the effective tax rate in 1QFY16 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 260.2% from a net profit of RMB 8.9 million in 1QFY15 to a net loss of RMB 14.3 million in 1QFY16 due mainly to the decrease in gross profit and other operating income by about RMB 11.2 million and RMB 6.2 million respectively, and the increases in administrative expenses and selling and distribution expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1QFY16</u>	<u>FY15</u>
Inventory turnover days	41	37
Trade receivable turnover days	37	27
Trade payable turnover days	46	36
Debt equity ratio	8.56	6.54

(i) Current assets

Current assets increased by RMB 82.9 million from RMB 591.2 million as at 31 December 2015 to RMB 674.2 million as at 31 March 2016, due mainly to the increase in other receivables, deposits and prepayments of RMB 13.1 million (mainly for prepayments to suppliers for purchasing materials), and the increase in cash and cash equivalents of RMB 111.8 million, which were partially offset by the decrease in inventories of RMB 36.3 million and the decrease in trade receivables of RMB 6.0 million. Trade receivable turnover days increased from 27 days in FY15 to 37 days in 1QFY16. Inventory turnover days was higher at 41 days in 1QFY16 as compared with 37 days for FY15.

(ii) Non-current assets

The increase in non-current assets of RMB 13.3 million was mainly due to the capital expenditure of RMB 35.2 million, which was partially offset by the depreciation of RMB 20.1 million and the disposal of plant and equipment of RMB 1.8 million.

(iii) Current liabilities

Current liabilities increased by RMB 105.0 million from RMB 560.6 million as at 31 December 2015 to RMB 665.6 million as at 31 March 2016, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 126.0 million (including bank note payable of about RMB 294.0 million which is secured by a pledge of cash deposits of about RMB 174.0 million), which was partially offset by the decrease in trade payables of RMB 13.6 million and the decrease in other payables and accruals of RMB 7.1 million. Trade payable turnover days was higher at 46 days, compared with 36 days for FY15.

The Group's debt equity ratio was 8.56 times as at 31 March 2016 compared with 6.54 times as at 31 December 2015. This was due to the decrease of RMB 14.3 million in total equity resulting from the net loss in 1QFY16, and the increase of RMB 133.0 million in total interest-bearing loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 5.4 million due to the increase of RMB 7.0 million in long-term interest-bearing loans, partially offset by the decrease of RMB 1.6 million in deferred income.

(v) Shareholders' equity

As at 31 March 2016, shareholders' equity was lower than that as at 31 December 2015 due to the net loss of RMB 14.3 million in 1QFY16.

c) Cash Flows

For 1QFY16, the Group had net operating cash inflow of RMB 24.3 million. This comprised operating profit before changes in working capital of RMB 17.9 million adjusted for decrease in working capital of RMB 8.2 million, and income tax paid of RMB 1.9 million.

The changes in working capital were mainly the result of:

- i) a decrease in inventory of RMB 36.3 million, and
- ii) a decrease in trade receivables of RMB 6.0 million,

which were partially offset by

- iii) a decrease in trade payables of RMB 13.6 million,
- iv) a decrease in other payable and accruals of RMB 7.1 million, and
- v) an increase in other receivables, deposits and prepayments of RMB 13.1 million.

Net cash used in investing activities amounted to RMB 32.8 million in 1QFY16. This was mainly due to the upgrading and modification of the starch liquid production line in our Henan subsidiary in order to meet the stricter environmental requirements implemented by the central government; the upgrading and construction of the maltose syrup production line at our Shaanxi subsidiary to improve production efficiency; and purchase of

packaging containers for our finished products. These cash outflows were partially mitigated by the cash inflows arising from proceeds from the disposal of plant and equipment of RMB 2.0 million.

Net cash inflow from financing activities was RMB 31.3 million, mainly due to the net increase in total bank loans of RMB 133.0 million, which was partially offset by interest expense of RMB 12.7 million and an increase in pledged cash deposits of RMB 89.0 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The actual financial results for 1QFY16 are consistent with the commentary under section 10 of the announcement dated 26 February 2016 on the unaudited financial statements for the fourth quarter and full year ended 31 December 2015.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

As announced on 17 June 2015, the Group had been requested to relocate its facilities in Shandong. The relocation process for its Shandong subsidiary has begun and is expected to be substantially completed by the end of 2016. The new plant facilities will allow for greater flexibility in production processes, which potentially allows for greater efficiency in the long run. The Group also intends to upgrade its Shaanxi subsidiary's production lines to boost production efficiency. The total upgrading cost is estimated to be RMB 30.0 million and will be funded by internally generated funds and bank borrowings.

Corn raw material prices continue to be favourable, although the downtrend appears to have stabilised recently. Further, the PRC government has announced that it will liberalise the control of corn supply, and this is expected to lead to lower corn raw material prices in the medium term for our Liaoning subsidiary.

Demand has not picked up as quickly as expected since Chinese New Year and the entire domestic market remains relatively weak, especially the consumer market. Although the export market has begun to pick up, the stronger RMB has hampered the demand to a certain extent.

Our management made the decision to suspend the production of certain product lines such as animal feed, corn oil, and amino acids, as the stiff competition in these markets had resulted in pricing which made it unprofitable for us to produce. The suspension of these production activities should result in cost savings and allow us to focus on more profitable product lines.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared for the first quarter ended 31 March 2016.

13 Summary of Interested Person Transactions for the financial period ended 31 March 2016

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Three months ended	Three months ended
	31/03/2016	31/03/2015
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	775	775
Rental expenses to Shaanxi Luzhou	525	525

Shandong Luzhou – Shandong Luzhou Food Group., Ltd.

Shaanxi Luzhou – Shaanxi Xingping Luzhou Sugar Products Co., Ltd

The Company does not have a general mandate from shareholders for interested person transactions.

14 Confirmation Pursuant to Rule 705(5) of the Listing Manual

We, Niu Ji Xing and Wang De You, being the Directors of Luzhou Bio-Chem Technology Limited ("the Company"), do hereby confirm for and on behalf of the Board of Directors of the Company that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the first quarter ended 31 March 2016 to be false or misleading in any material aspect.

On behalf of the Board

Mr Niu Ji Xing

Executive Chairman

Mr Wang De You

Executive Director

15 Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui

Company Secretary

Singapore

12 May 2016