



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

Fourth Quarter and

Full Year Results

Announcement for the Period

Ended 31 December 2016

UNAUDITED FINANCIAL STATEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 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.

	4QFY16	4QFY15	Change	FY16	FY15	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	537,465	520,685	3.2	1,921,780	2,431,436	(21.0)
Cost of sales	(470,956)	(449,247)	4.8	(1,709,407)	(2,167,930)	(21.2)
Gross profit	66,509	71,438	(6.9)	212,373	263,506	(19.4)
Other operating income	77,381	8,718	787.6	103,708	38,635	168.4
Selling and distribution expenses	(26,010)	(26,704)	(2.6)	(102,228)	(107,135)	(4.6)
Administrative expenses	(28,017)	(28,923)	(3.1)	(107,606)	(96,703)	11.3
Other operating expenses	(31,938)	(1,689)	1,790.9	(36,882)	(2,129)	1,632.4
Finance expenses	(12,041)	(12,632)	(4.7)	(50,497)	(60,207)	(16.1)
Profit before taxation	45,884	10,208	349.5	18,868	35,967	(47.5)
Income tax expense	(1,138)	(2,251)	(49.4)	(4,989)	(7,586)	(34.2)
Profit for the period, representing total comprehensive income	44,746	7,957	462.3	13,879	28,381	(51.1)
Total comprehensive income attributable to :						
Owners of the Company	44,746	7,957	462.3	13,879	28,381	(51.1)
Gross profit margin	12.4%	13.7%	(9.5)	11.1%	10.8%	2.8
Net profit margin	8.3%	1.5%	453.3	0.7%	1.2%	(41.7)
Profit per share (RMB cents)						
- Basic	7.5	1.3	476.9	2.3	6.3	(63.5)
- Diluted	7.5	1.3	476.9	2.3	6.3	(63.5)

Notes to the Comprehensive Income Statement

	4QFY16 RMB'000	4QFY15 RMB'000	Change %	FY16 RMB'000	FY15 RMB'000	Change %
Profit before tax is arrived at after charging/ (crediting)						
Interest income	(730)	(1,534)	(52.4)	(2,808)	(3,848)	(27.0)
Interest expense on borrowings	12,041	12,632	(4.7)	50,497	60,207	(16.1)
Depreciation of plant and equipment	18,614	20,018	(7.0)	76,385	79,175	(3.5)
Amortisation of land use rights	268	267	0.4	1,069	1,068	0.1
Amortisation of government grants	(3,156)	(1,561)	102.2	(7,878)	(6,122)	28.7
Foreign exchange gain (net)	(837)	(241)	247.3	(834)	(1,089)	(23.4)
Loss/(gain) on disposal of plant and equipment	25,475	(347)	7,441.5	25,188	(849)	3066.8
Allowance for doubtful trade receivables	5,076	116	4,275.9	5,076	116	4275.9
Reversal of allowance for slow-moving inventory	(1,511)	(1,463)	3.3	(1,511)	(1,485)	1.8

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-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	175,554	198,227	-	-
Trade receivables	184,653	183,895	-	-
Other receivables, deposits and prepayments	117,199	42,175	10,786	10,786
Amount owing by related parties	950	-	-	-
Cash and cash equivalents ⁽¹⁾	301,172	166,919	5,376	16,613
	<u>779,528</u>	<u>591,216</u>	<u>16,162</u>	<u>27,399</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Available for sale investment	2,060	-	-	-
Property, plant and equipment	656,874	647,968	-	-
Land use rights	44,744	45,766	-	-
	<u>703,678</u>	<u>693,734</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,483,206</u>	<u>1,284,950</u>	<u>388,816</u>	<u>400,053</u>
LIABILITIES				
Current liabilities				
Trade payables	233,954	208,172	-	-
Other payables and accruals	98,715	77,890	979	950
Amount owing to related parties	1,550	525	9,973	8,358
Interest-bearing loans and borrowings	330,000	265,000	-	-
Deferred income	6,201	6,248	-	-
Income tax payable	261	2,748	-	-
	<u>670,681</u>	<u>560,583</u>	<u>10,952</u>	<u>9,308</u>
Non-current liabilities				
Interest-bearing loans and borrowings	640,000	562,400	-	-
Deferred income	37,212	34,874	-	-
Deferred taxation	589	589	-	-
	<u>677,801</u>	<u>597,863</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,348,482</u>	<u>1,158,446</u>	<u>10,952</u>	<u>9,308</u>
NET ASSETS	<u>134,724</u>	<u>126,504</u>	<u>377,864</u>	<u>390,745</u>
EQUITY				
Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	90,893	-	-
Accumulated (loss)/profits	(265,379)	(273,112)	69,141	82,022
TOTAL EQUITY	<u>134,724</u>	<u>126,504</u>	<u>377,864</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- Dec-2016	31-Dec-2015
	RMB'000	RMB'000
Cash and bank balances	155,172	81,919
Pledged cash deposits	146,000	85,000
	301,172	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-Dec-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
290,000	40,000	235,000	30,000

Amount repayable after one year

As at 31-Dec-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
379,000	261,000	254,000	308,400

Details of any collateral

As at 31 December 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) pledge of properties owned by related parties;
- (iv) corporate guarantee given by related parties;
- (v) corporate guarantee given by third parties; and
- (vi) 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.

	4QFY16	4QFY15	FY16	FY15
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before taxation	45,884	10,208	18,868	35,967
Adjustments for:-				
Depreciation of property plant and equipment	18,614	20,018	76,385	79,175
Amortisation of land use rights	268	267	1,069	1,068
Amortisation of government grants	(3,156)	(1,561)	(7,878)	(6,122)
Loss/(gain) on disposal of plant and equipment	25,475	(347)	25,188	(849)
Interest expense	12,041	12,632	50,497	60,207
Interest income	(730)	(1,534)	(2,808)	(3,848)
Foreign exchange gain resulting from repayment of interest-free loan from a director	-	-	-	(815)
Reversal of allowance for slow-moving inventory (net)	(1,511)	(1,463)	(1,511)	(1,485)
Allowance for doubtful trade receivables (net)	5,076	116	5,076	116
Operating profit before working capital changes	101,961	38,336	164,886	163,414
Changes in working capital:				
Inventories	(33,732)	(18,289)	24,184	42,152
Trade receivables	426	9,251	(5,656)	(4,657)
Other receivables, deposits and prepayments	(53,337)	6,779	(75,202)	(13,903)
Amount owing by related parties	(950)	808	(950)	-
Trade payables	32,638	4,451	25,782	(9,248)
Other payables and accruals	(5,855)	1,350	20,825	(23,396)
Amount owing to related parties	675	-	1,025	(300)
Cash generated from operations	53,536	42,686	154,894	154,062
Income taxes paid	(1,087)	(3,151)	(7,476)	(3,952)
Net cash generated from operating activities	52,449	39,535	147,418	150,110
Cash flows from investing activities				
Purchase of plant and equipment	(11,143)	(19,994)	(122,921)	(42,113)
Purchase of land use rights	(47)	-	(47)	-
Purchase of available for sale investment	(2,060)	-	(2,060)	-
Proceeds from disposal of plant and equipment	(6,945)	(416)	12,442	7,786
Proceeds from government grants	6,719	-	10,169	-
Interest income received	730	1,534	2,808	3,848
Net cash (used in) investing activities	(12,746)	(18,876)	(99,609)	(30,479)

Cash flows from financing activities

Proceeds from issue of shares	-	-	-	26,806
Listing expenses	-	(402)	-	(903)
Payment of dividend	-	-	(5,659)	-
Interest expense paid	(12,041)	(12,632)	(50,497)	(60,207)
Cash deposits pledged	(56,000)	(55,000)	(376,000)	(308,000)
Pledged cash deposit being released	96,000	105,000	315,000	227,000
Repayment of interest-free loan from a Director	-	-	-	(9,026)
Repayment of interest - bearing loans and borrowings	(328,000)	(432,500)	(1,230,400)	(1,305,400)
Proceeds from interest - bearing loans and borrowings	247,000	280,000	1,373,000	1,341,400
Net cash (used in)/generated from financing activities	(53,041)	(115,534)	25,444	(88,330)
Net (decrease) /increase in cash and bank balances	(13,338)	(94,875)	73,253	31,301
Cash and bank balances at beginning of period/year	168,510	176,794	81,919	50,618
Cash and bank balances at end of period/year	155,172	81,919	155,172	81,919

- 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
Total comprehensive loss for the period	-	-	(12,920)	(12,920)
Payment of dividend	-	-	(5,659)	(5,659)
Balance as at 30 June 2016	308,723	90,893	(305,960)	93,656
Total comprehensive loss for the period	-	-	(3,678)	(3,678)
Balance as at 30 September 2016	308,723	90,893	(309,638)	89,978
Total comprehensive income for the period	-	-	44,746	44,746
Transfer to statutory reserves	-	487	(487)	-
Balance as at 31 December 2016	308,723	91,380	(265,379)	134,724

	← 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
Total comprehensive income for the period	-	-	6,333	6,333
Balance as at 30 June 2015	282,820	90,893	(286,252)	87,461
Total comprehensive income for the period	-	-	5,183	5,183
Issue of shares	25,903	-	-	25,903
Balance as at 30 September 2015	308,723	90,893	(281,069)	118,547
Total comprehensive income for the period	-	-	7,957	7,957
Balance as at 31 December 2015	308,723	90,893	(273,112)	126,504

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
Total comprehensive loss for the period	-	(2,136)	(2,136)
Payment of dividend	-	(5,659)	(5,659)
Balance as at 30 June 2016	308,723	72,168	380,891
Total comprehensive loss for the period	-	(1,968)	(1,968)
Balance as at 30 September 2016	308,723	70,200	378,923
Total comprehensive loss for the period	-	(1,059)	(1,059)
Balance as at 31 December 2016	308,723	69,141	377,864

	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
Total comprehensive loss for the period	-	(2,177)	(2,177)
Balance as at 30 June 2015	282,820	84,621	367,441
Total comprehensive loss for the period	-	(850)	(850)
Issue of shares	25,903	-	25,903
Balance as at 30 September 2015	308,723	83,771	392,494
Total comprehensive loss for the period	-	(1,749)	(1,749)
Balance as at 31 December 2015	308,723	82,022	390,745

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 30 September 2016. In addition, there were no outstanding convertibles or treasury shares as at 31 December 2016 and 31 December 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- Dec-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 year ended 31 December 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

	4QFY16	4QFY15	FY16	FY15
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
Profit per share				
(a) Based on weighted average number of ordinary shares in issue	7.5	1.3	2.3	6.3
Weighted average number of shares in issue	594,000,000	594,000,000	594,000,000	452,100,000
(b) On a fully diluted basis	7.5	1.3	2.3	6.3

- 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-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015
Net asset value per ordinary share	RMB 22.7 cents	RMB 21.3 cents	RMB 63.6 cents	RMB 65.8 cents

31-Dec-2016

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 134,724,000 and the Company's net asset value as at the end of the year of RMB 377,864,000 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. The review must discuss 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. It must also discuss 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

4QFY16 versus 4QFY15

Revenue

	4QFY16		4QFY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	537,465	100.0	494,891	95.1	8.6
Animal feeds	-	-	22,991	4.4	-
Others	-	-	2,803	0.5	-
Total	537,465	100.0	520,685	100.0	3.2

FY16 versus FY15

Revenue

	FY16		FY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,908,028	99.3	2,298,769	94.6	(17.0)
Animal feeds	9,603	0.5	127,089	5.2	(92.4)
Others	4,149	0.2	5,578	0.2	(25.6)
Total	1,921,780	100.0	2,431,436	100.0	(21.0)

The Group's revenue for 4QFY16 increased by 3.2% from RMB 520.7 million in 4QFY15 to RMB 537.5 million in 4QFY16 due mainly to the increase in sales volume of our corn refining segment partially offset by the decrease in selling prices of our corn refining products. The revenue for FY16 decreased by 21.0% year-on-year ("y-o-y") from RMB 2.4 billion to RMB 1.9 billion, mainly due to both decreases in sales volume and the selling price of our corn refining products, resulting from the continuing weak market demand and stiff competition in the corn sweetener industry. The upgrading and modification of the production line at our Henan subsidiary and the relocation of our Shandong subsidiary's plant to Shandong Industrial Park also affected our sales volume.

For 4QFY16, sales volume for our corn refining segment increased by 17.6% from 231K ("K"=1,000) tonnes to 271K tonnes period-on-period ("p-o-p"). This p-o-p increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 17.6% and 22.5% respectively. For FY16, sales volume for our corn refining segment decreased from 983K tonnes to 944K tonnes or by about 4.0% y-o-y. This y-o-y

decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 1.7%, 78.8% and 5.5% respectively.

For 4QFY16, the weighted average selling price of the Group's corn refining products decreased by 8.2% p-o-p. This decrease was attributable to the decreases in prices of corn sweeteners and corn starch of about 10.4% and 12.7% respectively, partially offset by the increase in price of by-products by 6.4%. For FY16, the weighted average selling price of the Group's corn refining products decreased by 13.6% y-o-y. This decrease was attributable to the decrease in prices of corn sweeteners, corn starch and by-products of about 15.8%, 20.0% and 4.2% respectively.

The Group has suspended the production of animal feed products in order to minimise losses since 1QFY16. As such, revenue from the animal feeds segment decreased significantly in FY16 and this was attributable to the decreases in the sales volume and the selling price of 91.5% and 11.6% y-o-y respectively.

The Group's export revenue in FY16 increased by 4.6% as compared to FY15. The export revenue as a percentage of total revenue increased from 2.5% in FY15 to 3.4% in FY16.

Gross profit and gross profit margin

4QFY16 versus 4QFY15

	4QFY16		4QFY15	
	RMB'000	%	RMB'000	%
Corn refining	65,985	12.3	72,238	14.6
Animal feeds	-	-	(990)	(4.3)
Others	524	-	190	6.7
Total	<u>66,509</u>	12.4	<u>71,438</u>	13.7

FY16 versus FY15

	FY16		FY15	
	RMB'000	%	RMB'000	%
Corn refining	212,314	11.1	262,161	11.4
Animal feeds	(1,238)	(12.9)	149	0.1
Others	1,297	31.3	1,196	21.4
Total	<u>212,373</u>	11.1	<u>263,506</u>	10.8

For 4QFY16, gross profit decreased by 6.9% p-o-p to RMB66.5 million, and the gross profit margin decreased from 13.7% in 4QFY15 to 12.4%. Group revenue increased by 3.2%, while the cost of sales for the corresponding period increased by 4.8%. These were due mainly to the decrease in selling price of our corn refining segment, which was partially offset by the lesser decrease in corn price of about 4.8% p-o-p.

For similar reason, gross profit for FY16 decreased by 19.4% y-o-y to RMB 212.4 million. Group revenue decreased by 21.0% y-o-y, while the cost of sales decreased by 21.2%. Gross profit margin increased by 2.8% y-o-y to 11.1%. This was mainly due to the decrease in selling price of our corn refining segment and the bigger decrease in corn price of 17.7% y-o-y.

The Group's animal feeds segment made a gross loss of RMB 1.2 million in FY16 compared with a gross profit of RMB 149,000 in FY15. This was due to the decrease in both the sales volume and selling price by 91.5% and 11.6% y-o-y respectively. In view of the negative gross profit margin, the Group has suspended the production of animal feed products since 1QFY16.

The Group's others segment made a gross profit of RMB 1.3 million in FY16 compared with RMB 1.2 million in FY15, due mainly to the increase of RMB 0.1 million in gross profit of our Hongzhou company.

Other operating income

Other operating income increased by RMB 65.1 million from RMB 38.6 million in FY15 to RMB 103.7 million in FY16, due largely to the increase in government grant and subsidies (mainly for compensation for the relocation of our Shandong plant of RMB 67.7 million and corn subsidies of our Liaoning subsidiary), which was partially offset by the decreases in insurance claim compensation, penalties imposed on supplier, interest income from banks, and gain on sales of steam.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 4.6% from RMB 107.1 million in FY15 to RMB 102.2 million in FY16. This was mainly attributable to the decrease in transportation costs which is in line with the decrease in revenue, partially offset by the increase in staff costs.

- Administrative expenses

The Group's administrative expenses increased by 11.3% from RMB 96.7 million in FY15 to RMB 107.6 million in FY16. This was mainly due to the increases in depreciation on plant and equipment and other manufacturing overheads charged to operating expenses as a result of production halts of certain products in our Shandong, Henan and Liaoning subsidiaries, and the increase in allowance for doubtful trade receivables.

- Other operating expenses

Other operating expenses increased by RMB 34.8 million from RMB 2.1 million in FY15 to RMB 36.9 million in FY16. This was due mainly to the increase in the loss on disposal of plant and equipment of about RMB 25.7 million and the relocation expenses of about RMB 6.2 million resulting from the relocation of our Shandong subsidiary.

Finance costs

The Group's finance costs decreased by 16.1% from RMB 60.2 million in FY15 to RMB 50.5 million in FY16 mainly attributable to the decrease in interest expenses by about RMB 9.8 million, resulting from the reduction in average bank loan interest rates.

Income tax expense

The decrease in income tax expense was due to the decrease in net profit generated from our Henan 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 FY16 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 51.1% from RMB 28.4 million in FY15 to RMB 13.9 million in FY16, this was mainly due to a 19.4% y-o-y decrease in gross profit of about RMB 51.1 million, the increase in other operating expenses of about RMB 34.8 million, the increase in administrative expenses of about RMB 10.9 million, partially offset by the increase in other operating income of about RMB 65.1 million.

b) Statement of Financial Position

GROUP	<u>FY16</u>	<u>FY15</u>
Inventory turnover days	40	37
Trade receivable turnover days	35	27
Trade payable turnover days	47	36
Debt equity ratio	7.20	6.54

(i) Current assets

Current assets increased by RMB 188.3 million from RMB 591.2 million as at 31 December 2015 to RMB 779.5 million as at 31 December 2016, due mainly to the increase in other receivables, deposits and prepayments of RMB 75.0 million (mainly due to the relocation compensation receivable by Shandong subsidiary and grant and corn subsidies receivable by Liaoning subsidiary), and the increase in cash and cash equivalents of RMB 134.3 million, which were partially offset by the decrease in inventories of RMB 22.7 million. Trade receivable turnover days increased from 27 days in FY15 to 35 days in FY16, due mainly to slower collection arising from the weak domestic economy. Inventory turnover days was higher at 40 days, compared with 37 in FY15.

(ii) Non-current assets

The increase in non-current assets of RMB 9.9 million was mainly due to the capital expenditure of RMB 122.9 million, which was partially offset by the depreciation of RMB 77.5 million and the disposal of plant and equipment of RMB 37.6 million.

The available for sale investment relates to an investment by our Shaanxi subsidiary in “Shaanxi Xingping Rural Credit Cooperatives Union”.

(iii) Current liabilities

Current liabilities increased by RMB 110.1 million from RMB 560.6 million as at 31 December 2015 to RMB 670.7 million as at 31 December 2016, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 65.0 million, the increase in trade payables of RMB 25.8 million and the increase in other payables and accruals of RMB 20.8 million. Trade payable turnover days was higher at 47 days, compared with 36 days for FY15.

The Group's debt equity ratio was 7.20 times as at 31 December 2016 compared with 6.54 times as at 31 December 2015, and the net debt equity ratio was 4.96 times as at 31 December 2016 (31 December 2015: 5.22 times). This was due to the increase of RMB 142.6 million in total interest-bearing loans and borrowings, and the increase of RMB 8.2 million in total equity resulting from the net profit in FY16 partially offset by payment of dividend in May 2016.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 79.9 million due to the increase of RMB 77.6 million in long-term interest-bearing loans and the increase of RMB 2.3 million in deferred income.

(v) Shareholders' equity

As at 31 December 2016, shareholders' equity was higher than that as at 31 December 2015 due to the net profit of RMB 13.9 million in FY16 and payment of dividend of RMB 5.7 million in May 2016.

c) Cash Flows

For FY16, the Group experienced net operating cash inflow of RMB 147.4 million. This comprised operating profit before changes in working capital of RMB 164.9 million adjusted for changes in working capital of negative RMB 10.0 million and income taxes paid of RMB 7.5 million.

The increase in working capital was the result of mainly:

- i) an increase in trade receivables of RMB 5.7 million,
- ii) an increase in other receivables, deposits and prepayments of RMB 75.2 million,

which were offset by

- iii) a decrease in inventory of RMB 24.2 million,
- iv) an increase in trade payables of RMB 25.8 million, and
- v) an increase in other payables and accruals of RMB 20.8 million.

Net cash used in investing activities amounted to RMB 99.6 million in FY16. This was mainly due to the reconstruction of plant and equipment resulting from the relocation of our Shandong subsidiary; the upgrading and construction of the maltose syrup production line at our Shaanxi subsidiary to improve production capacity; the upgrading and modification of the starch liquid production line at our Henan subsidiary in order to meet the stricter environmental requirements implemented by the central government; 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 12.4 million and the government grants of RMB 10.2 million for the boiler construction by our Henan subsidiary and land compensation for our Liaoning subsidiary.

Net cash inflow from financing activities was RMB 25.4 million, mainly due to the net increase in total bank loans of RMB 142.6 million, which was partially offset by an increase in pledged cash deposits of RMB 61.0 million, and payment of interest expense and dividend of RMB 50.5 million and RMB 5.7 million respectively.

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 4QFY16 are consistent with the commentary under section 10 of the announcement dated 11 November 2016 on the unaudited financial statements for the third quarter and nine months ended 30 September 2016.

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

China's economy

China's economy is facing stronger downward pressure with the domestic demand growing slowly because of China's economic restructuring. The weak export demand continues to hurt its overall growth, especially with the uncertainties in the global economy. However, China is expected to remain one of the fastest growing economies in the world.

In view of the above, the Group is relatively optimistic of its outlook for 2017, even though there is a gradual shift in consumer behavior to a healthier lifestyle of "sugar-light" regime, because of its large consumer market especially in the rural areas. The impending expansion of our footprint in Xinjiang as announced on 28 October 2016 and the target completion of our Xinjiang plant in 2018 is expected to spur new growth for the Group.

Updates on Liaoning Plant

As announced on 6 February 2017, a fire had occurred at our Liaoning premises which only affected the administrative office and one of the production control rooms. The fire has not affected our production and the Group is in the process of restoring its administrative office. The premises are fully insured and the Group is in the process of making insurance claims. As such, any loss suffered by the Group as a result of the fire would be minimal.

Updates on Shandong Plant Relocation

The Group has completed its relocation of its Shandong subsidiary to the Shandong Industrial Park premises as at end of 2016. This has resulted in greater economies of scale and improved overall production efficiency. The Group has also taken the opportunity to increase its production capacity with a view to reducing the production cost of certain products.

The Group has fully recognised the government's compensation amounting to RMB 67.69 million in the financial year ended 31 December 2016.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

A final one-tier tax exempt cash dividend of S\$0.002 per ordinary share in respect of the financial year ended 31 December 2016 will be recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

A final one-tier tax exempt cash dividend of S\$0.002 per ordinary share was declared in respect of the financial year ended 31 December 2015.

(c) Date payable

To be announced.

(d) Books closure date

To be announced.

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

Not applicable.

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

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Year ended	Year ended
	31/12/2016	31/12/2015
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	1,550	3,100
Rental expenses to Shaanxi Luzhou	2,100	2,100

Shandong Luzhou – Shandong Luzhou Food Group., Ltd.

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

The Group does not have a general mandate from shareholders for interested person transactions. The Group has ceased the payment of rental expenses to Shandong Luzhou since 3QFY16 in view of the relocation of the Shandong subsidiary's plant.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Geographical segments

	RMB'000 FY16	RMB'000 FY15
Segment revenue by location of customers		
- PRC	1,857,124	2,369,618
- Overseas	64,656	61,818
	<u>1,921,780</u>	<u>2,431,436</u>
Capital expenditures by geographical location of assets		
- PRC	122,968	42,113
	<u>122,968</u>	<u>42,113</u>
Segment assets by geographical location of assets		
- PRC	1,477,794	1,268,301
- Overseas	5,412	16,649
	<u>1,483,206</u>	<u>1,284,950</u>

Operating segment for FY16

	Corn refining RMB'000	Animal feeds RMB'000	Others RMB'000	Corporate RMB'000	Eliminations RMB'000	Notes	Group RMB'000
Revenue:							
External customers	1,908,028	9,603	4,149	-	-		1,921,780
Intra-segment sales	11,894	-	14,875	-	(26,769)	A	-
Total Revenue	<u>1,919,922</u>	<u>9,603</u>	<u>19,024</u>	<u>-</u>	<u>(26,769)</u>		<u>1,921,780</u>
Results:							
Segment profit / (loss)							
before tax	78,724	(4,293)	2,744	(7,220)	(51,087)	B	18,868
Income tax expense	(4,989)	-	-	-	-		(4,989)
Interest income from banks	2,806	1	1	-	-		2,808
Interest expenses	(50,488)	(5)	(2)	(2)	-		(50,497)
Depreciation of plant and equipment	(76,331)	(869)	(869)	-	1,684	C	(76,385)
Amortization of land use right	(1,069)	-	-	-	-		(1,069)

Other non-cash income / (expenses)	4,591	(274)	(4)	-	-	D	4,313
Assets:							
Segment asset	1,469,123	5,132	17,132	5,412	(13,593)	E	1,483,206
Additions to non-current assets	122,829	137	2	-	-	F	122,968
Liabilities:							
Segment liabilities	1,342,606	1,484	2,824	979	589	G	1,348,482

Operating segment for FY15

	Corn refining RMB'000	Animal feeds RMB'000	Others RMB'000	Corporate RMB'000	Eliminations RMB'000	Notes	Group RMB'000
Revenue:							
External customers	2,298,769	127,089	5,578	-	-		2,431,436
Intra-segment sales	34,067	-	2,816	-	(36,883)	A	-
Total Revenue	2,332,836	127,089	8,394	-	(36,883)		2,431,436
Results:							
Segment profit / (loss) before tax	100,866	(2,804)	(1,145)	(6,663)	(54,287)	B	35,967
Income tax expense	(7,586)	-	-	-	-		(7,586)
Interest income from banks	3,842	4	2	-	-		3,848
Interest expenses	(60,190)	(12)	(3)	(2)	-		(60,207)
Depreciation of plant and equipment	(79,105)	(858)	(925)	-	1,713	C	(79,175)
Amortization of land use right	(1,068)	-	-	-	-		(1,068)
Other non-cash income / (expenses)	7,529	-	(38)	-	-	D	7,491
Assets:							
Segment asset	1,241,278	14,858	22,855	16,649	(10,690)	E	1,284,950
Additions to non-current assets	41,544	177	392	-	-	F	42,113
Liabilities:							
Segment liabilities	1,143,247	9,145	4,515	950	589	G	1,158,446

Segment information

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenue are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in consolidated financial statements:

	<u>FY16</u>	<u>FY15</u>
	RMB'000	RMB'000
(Loss)/profit from inter-segment sales	(3,398)	2,072
Finance costs net of interest income	(47,689)	(56,359)
Total	<u>(51,087)</u>	<u>(54,287)</u>

C Inter-segment elimination of depreciation expenses on consolidation arising from profit on inter-segment sales of property, plant and equipment.

D Other non-cash income / (expenses) comprise the following:

	<u>FY16</u>	<u>FY15</u>
	RMB'000	RMB'000
Amortization of government grant	7,878	6,122
Reversal of allowance for slow-moving inventories	1,511	1,485
Allowance for trade receivables	(5,076)	(116)
	<u>4,313</u>	<u>7,491</u>

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:

	<u>FY16</u>	<u>FY15</u>
	RMB'000	RMB'000
Inter-segment assets	(13,593)	(10,690)

F Additions to non-current assets consist of additions to property, plant and equipment.

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	<u>FY16</u>	<u>FY15</u>
	RMB'000	RMB'000
Deferred tax liabilities	589	589

15 In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Please refer to Note 8 for the review of performance by business or geographical segments.

16 A breakdown of sales

	FY16	Group FY15	Change
	RMB'000	RMB'000	%
(a) Sales reported for first half year	874,729	1,254,928	(30.3)
(b) Sales reported for second half year	1,047,051	1,176,508	(11.0)
Variance (H2 vs H1) %	19.7	(6.2)	
(c) (Loss)/profit after tax and before attributing to non-controlling interests for first half year	(27,189)	15,241	(278.4)
(d) Profit after tax and before deducting for non-controlling interests for second half year	41,068	13,140	212.5
Variance (H2 vs H1) %	251.0	(13.8)	

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2016	FY2015
Ordinary	S\$1,188,000	S\$1,188,000
Preference	-	-
Total	S\$1,188,000	S\$1,188,000

The payment of the proposed final dividend of S\$0.002 per ordinary share for FY2016 is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

18 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.

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
28 February 2017