



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

First Quarter Results

Announcement for the Period

Ended 31 March 2017



UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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		
	31/03/2017	31/03/2016	Change
	RMB'000	RMB'000	%
Revenue	487,542	444,549	9.7
Cost of sales	(423,844)	(397,983)	6.5
Gross profit	63,698	46,566	36.8
Other operating income	6,712	6,007	11.7
Selling and distribution expenses	(34,383)	(25,023)	37.4
Administrative expenses	(26,419)	(27,526)	(4.0)
Other operating expenses	(410)	(82)	400.0
Finance expenses	(13,326)	(12,681)	5.1
Loss before taxation	(4,128)	(12,739)	(67.6)
Taxation	(266)	(1,530)	(82.6)
Loss for the period and total comprehensive loss	(4,394)	(14,269)	(69.2)
Total comprehensive loss attributable to:			
Equity holders	(4,394)	(14,269)	(69.2)
Gross profit margin	13.1%	10.5%	24.8
Net loss margin	(0.9%)	(3.2%)	(71.9)
Loss per share (RMB cents)			
- basic	(0.7)	(2.4)	(70.8)
- diluted	(0.7)	(2.4)	(70.8)

Notes to the Comprehensive Income Statement

	3 months ended		Change %
	31/03/2017	31/03/2016	
	RMB'000	RMB'000	
Loss before tax is arrived at after charging/ (crediting):			
Interest income	(678)	(421)	61.0
Interest expense on borrowings	13,326	12,681	5.1
Depreciation of plant and equipment	18,961	19,868	(4.6)
Amortisation of land use rights	267	267	-
Amortisation of government grants	(1,674)	(1,562)	7.2
Foreign currencies exchange gain	(107)	(65)	64.6
Gain on disposal of plant and equipment	(348)	(179)	94.4
Reversal of allowance for doubtful trade receivables	(5)	-	-

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-2017	31-Dec-2016	31-Mar-2017	31-Dec-2016
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	180,955	175,554	-	-
Trade receivables	176,923	184,653	-	-
Other receivables, deposits and prepayments	113,534	117,199	10,786	10,786
Amount owing by related parties	600	950	-	-
Income tax prepaid	611	-	-	-
Cash and cash equivalents ⁽¹⁾	387,790	301,172	3,278	5,376
	<u>860,413</u>	<u>779,528</u>	<u>14,064</u>	<u>16,162</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Available for sale investment	2,060	2,060	-	-
Property, plant and equipment	647,470	656,874	-	-
Land use rights	44,477	44,744	-	-
	<u>694,007</u>	<u>703,678</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,554,420</u>	<u>1,483,206</u>	<u>386,718</u>	<u>388,816</u>
LIABILITIES				
Current liabilities				
Trade payables	216,369	233,954	-	-
Other payables and accruals	98,883	98,715	563	979
Amount owing to related parties	1,550	1,550	10,346	9,973
Interest-bearing loans and borrowings	382,000	330,000	-	-
Deferred income	6,357	6,201	-	-
Income tax payable	-	261	-	-
	<u>705,159</u>	<u>670,681</u>	<u>10,909</u>	<u>10,952</u>
Non-current liabilities				
Interest-bearing loans and borrowings	677,000	640,000	-	-
Deferred income	41,342	37,212	-	-
Deferred taxation	589	589	-	-
	<u>718,931</u>	<u>677,801</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,424,090</u>	<u>1,348,482</u>	<u>10,909</u>	<u>10,952</u>
NET ASSETS	<u>130,330</u>	<u>134,724</u>	<u>375,809</u>	<u>377,864</u>
EQUITY				
Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profits	(269,773)	(265,379)	67,086	69,141
TOTAL EQUITY	<u>130,330</u>	<u>134,724</u>	<u>375,809</u>	<u>377,864</u>

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

	31-Mar-2017	31-Dec-2016
	RMB'000	RMB'000
Cash and bank balances	163,761	155,172
Pledged cash deposits	224,029	146,000
	387,790	301,172

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-2017		As at 31-Dec-2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
342,000	40,000	290,000	40,000

Amount repayable after one year

As at 31-Mar-2017		As at 31-Dec-2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
452,000	225,000	379,000	261,000

Details of any collateral

As at 31 March 2017, 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.

	1st quarter ended	
	31-Mar-2017	31-Mar-2016
	RMB'000	RMB'000
Operating activities		
Loss before taxation	(4,128)	(12,739)
Adjustments for:-		
Depreciation of plant and equipment	18,961	19,868
Amortisation of land use rights	267	267
Amortisation of government grants	(1,674)	(1,562)
Gain on disposal of plant and equipment	(348)	(179)
Interest expense	13,326	12,681
Interest income	(678)	(421)
Reversal of allowance for doubtful trade receivables	(5)	-
Operating profit before working capital changes	25,721	17,915
Changes in working capital:		
Inventories	(5,401)	36,318
Trade receivables	7,735	5,977
Other receivables, deposits and prepayments	7,625	(13,061)
Amount owing by related parties	350	(350)
Trade payables	(17,585)	(13,574)
Other payables and accruals	168	(7,065)
Cash generated from operations	18,613	26,160
Income taxes paid	(1,138)	(1,862)
Net cash generated from operating activities	17,475	24,298
Investing activities		
Purchase of plant and equipment	(11,011)	(35,215)
Proceeds from disposal of plant and equipment	1,802	2,004
Proceeds from government grants	2,000	-
Interest income received	678	421
Net cash (used in) investing activities	(6,531)	(32,790)
Financing activities		
Interest expense paid	(13,326)	(12,681)
Increase in pledged cash deposits	(78,029)	(89,000)
Repayment of interest - bearing loans and borrowings	(403,000)	(338,000)
Proceeds from interest - bearing loans and borrowings	492,000	471,000
Net cash (used in) / generated from financing activities	(2,355)	31,319
Net increase in cash and bank balances	8,589	22,827
Cash and bank balances at beginning of period	155,172	81,919
Cash and bank balances at end of period	163,761	104,746

- 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 2017	308,723	91,380	(265,379)	134,724
Total comprehensive loss for the period	-	-	(4,394)	(4,394)
Balance as at 31 March 2017	308,723	91,380	(269,773)	130,330

	← 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

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2017	308,723	69,141	377,864
Total comprehensive loss for the period	-	(2,055)	(2,055)
Balance as at 31 March 2017	308,723	67,086	375,809

	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

[#] 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 2016. In addition, there were no outstanding convertibles or treasury shares as at 31 March 2017 and 31 March 2016.

- 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-2017	31-Dec-2016
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 2017. 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 2017. 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 FY2016.

- 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-2017</u>	<u>31-Mar-2016</u>
	RMB (cents)	RMB (cents)
Loss per share		
(a) Based on weighted average number of ordinary shares in issue; and	(0.7)	(2.4)
Weighted average number of shares in issue	594,000,000	594,000,000
(b) On a fully diluted basis	(0.7)	(2.4)

- 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-2017	31-Dec-2016	31-Mar-2017	31-Dec-2016
Net asset value per ordinary share	RMB 21.9 cents	RMB 22.7 cents	RMB 63.3 cents	RMB 63.6 cents

31-Mar-2017

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 130,330,000 and the Company's net asset value as at the end of the period of RMB 375,809,000 divided by the share capital of 594,000,000 ordinary shares.

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.

- 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

1QFY17 versus 1QFY16

Revenue

	1QFY17		1QFY16		Change
	RMB'000	%	RMB'000	%	%
Corn refining	487,398	100.0	435,364	97.9	12.0
Animal feeds	-	-	8,355	1.9	(100.0)
Others	144	-	830	0.2	(82.7)
Total	487,542	100.0	444,549	100.0	9.7

The Group's revenue for 1QFY17 increased by RMB 43.0 million, or 9.7% year on year ("y-o-y"), due mainly to the increase in revenue of our corn refining segment by 12.0%.

For 1QFY17, sales volume for the corn refining segment increased from 204K ("K"=1,000) tonnes to 247K tonnes or about 20.7% y-o-y, due mainly to the increases in the sales volumes of corn sweeteners and by-products of about 12.6% and 43.0% respectively.

The prices of the corn refining products decreased by 3.6% y-o-y due to stiff competition as a result of lower corn raw material prices. Notably, the price of corn sweeteners decreased by about 6.7%, but the price of by-products increased by 17.1%.

The Group's export revenue in 1QFY17 decreased by 13.9% y-o-y due to the lower selling price as a result of stiff price competition from the export market. while export revenue as a percentage of total revenue decreased from 4.1% in 1QFY16 to 3.2% in 1QFY17.

1QFY17 versus 1QFY16

Gross profit and gross profit margin

	1QFY17		1QFY16	
	RMB'000	%	RMB'000	%
Corn refining	63,171	13.0	47,210	10.8
Animal feeds	-	-	(987)	(11.8)
Others	527	365.8	343	41.3
Total	63,698	13.1	46,566	10.5

During 1QFY17, gross profit increased by 36.8% y-o-y to RMB 63.7 million. Revenue increased by 9.7% y-o-y, while the cost of sales for the corresponding period increased to a lesser extent by 6.5%. Group gross profit margin increased by 24.8% y-o-y to 13.1%. This was mainly due to the decrease in the corn raw material prices of about 5.4% and the higher capacity utilization rate which increased from 58.1% in 1QFY16 to 83.6% in 1QFY17.

The Group has stopped the production of the animal feed products since 1QFY16 to minimize our net loss.

The others segment including our Hongzhou subsidiary made a gross profit of RMB 0.5 million in 1QFY17, compared with a gross profit of RMB 0.3 million in 1QFY16.

Other operating income

Other operating income increased by 11.7% from RMB 6.0 million in 1QFY16 to RMB 6.7 million in 1QFY17, due mainly to the increase in government grant and subsidies, and decrease in gain on sales of steam.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses increased by 37.4% from RMB 25.0 million in 1QFY16 to RMB 34.4 million in 1QFY17. This was mainly attributable to the increase in transportation costs, which is in line with the increases in revenue and sales volume.

- Administrative expenses

The Group's administrative expenses decreased by 4.0% from RMB 27.5 million in 1QFY16 to RMB 26.4 million in 1QFY17. This was mainly due to the decreases in depreciation charge and other manufacturing overheads charged to operating expenses as a result of production halts of certain products.

- Other operating expenses

The Group's other operating expenses increased by about RMB 0.3 million from RMB 0.1 million in 1QFY16 to about RMB 0.4 million in 1QFY17. This was mainly due to the increase in relocation expenses of our Shandong subsidiary.

Finance expenses

The Group's finance expenses increased by 5.1% from RMB 12.7 million in 1QFY16 to RMB 13.3 million in 1QFY17. This was attributable to the increase in interest costs as a result of the increase in bank loans.

Taxation

The decrease in income tax expense was due to the decrease in 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 1QFY17 was higher than the statutory tax rate.

Total comprehensive loss

The Group's total comprehensive loss decreased by 69.2% from RMB 14.3 million in 1QFY16 to RMB 4.4 million in 1QFY17, due mainly to the increase in gross profit by about RMB 17.1 million, the decrease in administrative expenses, and the increase in selling and distribution expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1QFY17</u>	<u>FY16</u>
Inventory turnover days	38	40
Trade receivable turnover days	34	35
Trade payable turnover days	48	47
Debt equity ratio	8.13	7.20

(i) Current assets

Current assets increased by RMB 80.9 million from RMB 779.5 million as at 31 December 2016 to RMB 860.4 million as at 31 March 2017, due mainly to the increase in cash and cash equivalents of RMB 86.6 million and the increase in inventories of RMB 5.4 million, which were partially offset by the decrease in trade receivables of RMB 7.7 million and the decrease in other receivables, deposits and prepayments of RMB 3.7 million. Trade receivable turnover days decreased slightly from 35 days in FY16 to 34 days in 1QFY17. Inventory turnover days was lower at 38 days in 1QFY17 as compared with 40 days for FY16.

(ii) Non-current assets

The decrease in non-current assets of RMB 9.7 million was mainly due to the depreciation of RMB 19.2 million and the disposal of plant and equipment of RMB 1.5 million, which were partially offset by the capital expenditure of RMB 11.0 million.

(iii) Current liabilities

Current liabilities increased by RMB 34.5 million from RMB 670.7 million as at 31 December 2016 to RMB 705.2 million as at 31 March 2017, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 52.0 million (including bank note payable of about RMB 312.0 million which is secured by a pledge of cash deposits of about RMB 224.0 million), which was partially offset by the decrease in trade payables of RMB 17.6 million. Trade payable turnover days was higher at 48 days, compared with 47 days for FY16.

The Group's debt equity ratio was 8.13 times as at 31 March 2017 compared with 7.20 times as at 31 December 2016, and the net debt equity ratio was 5.15 times as at 31 March 2017 (31 December 2016: 4.96 times). This was due to the decrease of RMB 4.4 million in total equity resulting from the net loss in 1QFY17, and the increase of RMB 89.0 million in total interest-bearing loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 41.1 million due to the increase of RMB 37.0 million in long-term interest-bearing loans and the increase of RMB 4.1 million in deferred income.

(v) Shareholders' equity

As at 31 March 2017, shareholders' equity was lower than that as at 31 December 2016 due to the net loss of RMB 4.4 million in 1QFY17.

c) Cash Flows

For 1QFY17, the Group had net operating cash inflow of RMB 17.5 million. This comprised operating profit before changes in working capital of RMB 25.7 million adjusted for increase in working capital of RMB 7.1 million, and income tax paid of RMB 1.1 million.

The changes in working capital were mainly the result of:

- i) an increase in inventory of RMB 5.4 million; and
- ii) a decrease in trade payables of RMB 17.6 million,

which were partially offset by

- iii) a decrease in trade receivables of RMB 7.7 million; and
- iv) a decrease in other receivables, deposits and prepayments of RMB 7.6 million.

Net cash used in investing activities amounted to RMB 6.5 million in 1QFY17. This was mainly due to the construction of property, plant and equipment at our Shandong subsidiary 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 1.8 million and proceeds from government grants for energy saving reconstruction of RMB 2.0 million.

Net cash used in financing activities was RMB 2.4 million, mainly due to the interest expense of RMB 13.3 million and an increase in pledged cash deposits of RMB 78.0 million, which were partially offset by the net increase in total bank loans 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 1QFY17 are consistent with the commentary under section 10 of the announcement dated 28 February 2017 on the unaudited financial statements for the fourth quarter and full year ended 31 December 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 continues to be affected by the uncertainties of the global economy. On the domestic side, the Chinese government continues to push for consumer-driven economic model to stimulate its economic growth. Coupled with the fluctuations in average corn raw material price and changes in government policies, the Group expects the market conditions in the near future to remain challenging.

Update on Liaoning Plant

Following a fire that occurred at our Liaoning premises as announced on 6 February 2017 , the Group has since restored its administrative office and one of the production control rooms. The Group has also started the process of making insurance claims.

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 2017.

13 Summary of Interested Person Transactions for the financial period ended 31 March 2017

	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
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	-	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 2017 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
15 May 2017