



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Second Quarter and
Half Year Results
Announcement for the Period
Ended 30 June 2016**



UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 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.

	2Q2016 RMB'000	2Q2015 RMB'000	Change %	HY2016 RMB'000	HY2015 RMB'000	Change %
Revenue	430,180	684,338	(37.1)	874,729	1,254,928	(30.3)
Cost of sales	(380,194)	(621,281)	(38.8)	(778,177)	(1,134,103)	(31.4)
Gross profit	49,986	63,057	(20.7)	96,552	120,825	(20.1)
Other operating income	6,184	8,853	(30.1)	12,191	21,033	(42.0)
Selling and distribution expenses	(24,458)	(29,307)	(16.5)	(49,481)	(50,791)	(2.6)
Administrative expenses	(27,561)	(17,067)	61.5	(55,087)	(39,696)	38.8
Other operating expenses	(2,878)	(85)	3,285.9	(2,960)	(403)	634.5
Finance expenses	(12,960)	(17,228)	(24.8)	(25,641)	(32,334)	(20.7)
(Loss)/profit before taxation	(11,687)	8,223	(242.1)	(24,426)	18,634	(231.1)
Taxation	(1,233)	(1,890)	(34.8)	(2,763)	(3,393)	(18.6)
(Loss)/profit for the period and total comprehensive (loss)/income	(12,920)	6,333	(304.0)	(27,189)	15,241	(278.4)
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(12,920)	6,333	(304.0)	(27,189)	15,241	(278.4)
Gross profit margin	11.6%	9.2%	26.1	11.0%	9.6%	14.6
Net (loss) / profit margin	(3.0%)	0.9%	(433.3)	(3.1%)	1.2%	(358.3)
(Loss)/profit per share(RMB cents)						
- basic	(2.2)	1.6	(237.5)	(4.6)	3.8	(221.1)
- diluted	(2.2)	1.6	(237.5)	(4.6)	3.8	(221.1)

Notes to the Comprehensive Income Statement

	2Q2016	2Q2015	Change	HY2016	HY2015	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss)/profit before tax is arrived at after charging/ (crediting):						
Interest income	(414)	(33)	1154.5	(835)	(400)	108.8
Interest expense on borrowings	12,960	17,228	(24.8)	25,641	32,334	(20.7)
Depreciation of property, plant and equipment	19,292	19,903	(3.1)	39,160	39,441	(0.7)
Amortisation of land use rights	267	267	-	534	534	-
Amortisation of government grants	(1,562)	(1,520)	2.8	(3,124)	(3,041)	2.7
Foreign exchange loss/(gain), net	63	53	18.9	(2)	66	(103.0)
Loss/(gain) on disposal of plant and equipment	898	(126)	812.7	719	(37)	2043.2
Reversal of allowance for slow-moving inventory	-	-	-	-	(22)	-

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	
	30-Jun-2016	31-Dec-2015	30-Jun-2016	31-Dec-2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	182,945	198,227	-	-
Trade receivables	172,954	183,895	-	-
Other receivables, deposits and prepayments	103,653	42,175	10,785	10,786
Cash and cash equivalents ⁽¹⁾	302,437	166,919	7,140	16,613
	<u>761,989</u>	<u>591,216</u>	<u>17,925</u>	<u>27,399</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	649,910	647,968	-	-
Land use rights	45,232	45,766	-	-
	<u>695,142</u>	<u>693,734</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,457,131</u>	<u>1,284,950</u>	<u>390,579</u>	<u>400,053</u>
LIABILITIES				
Current liabilities				
Trade payables	240,573	208,172	-	-
Other payables and accruals	88,536	77,890	522	950
Amount owing to related parties	525	525	9,166	8,358
Interest-bearing loans and borrowings	423,000	265,000	-	-
Deferred income	6,248	6,248	-	-
Income tax payable	254	2,748	-	-
	<u>759,136</u>	<u>560,583</u>	<u>9,688</u>	<u>9,308</u>
Non-current liabilities				
Interest-bearing loans and borrowings	572,000	562,400	-	-
Deferred income	31,750	34,874	-	-
Deferred taxation	589	589	-	-
	<u>604,339</u>	<u>597,863</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,363,475</u>	<u>1,158,446</u>	<u>9,688</u>	<u>9,308</u>
NET ASSETS	<u>93,656</u>	<u>126,504</u>	<u>380,891</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	(305,960)	(273,112)	72,168	82,022
TOTAL EQUITY	<u>93,656</u>	<u>126,504</u>	<u>380,891</u>	<u>390,745</u>

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

	30- Jun-2016	31-Dec-2015
	RMB'000	RMB'000
Cash and bank balances	92,437	81,919
Pledged cash deposits	210,000	85,000
	302,437	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 30-Jun-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
403,000	20,000	235,000	30,000

Amount repayable after one year

As at 30-Jun-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
346,000	226,000	254,000	308,400

Details of any collateral

As at 30 June 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.

	2Q2016	2Q2015	HY2016	HY2015
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
(Loss) / profit before taxation	(11,687)	8,223	(24,426)	18,634
Adjustments for:-				
Depreciation of plant and equipment	19,292	19,903	39,160	39,441
Amortisation of land use rights	267	267	534	534
Amortisation of government grants	(1,562)	(1,520)	(3,124)	(3,041)
Loss/(gain) on disposal of plant and equipment	898	(126)	719	(37)
Interest expense	12,960	17,228	25,641	32,334
Interest income	(414)	(33)	(835)	(400)
Reversal of allowance for slow-moving inventories	-	-	-	(22)
Operating profit before working capital changes	19,754	43,942	37,669	87,443
Changes in working capital:				
Inventories	(21,036)	(20,730)	15,282	(41,180)
Trade receivables	4,964	(39,863)	10,941	(64,304)
Other receivables, deposits and prepayments	(48,417)	(15,659)	(61,478)	(19,245)
Amount owing by related parties	350	775	-	(1,550)
Trade payables	45,975	47,798	32,401	125,210
Other payables and accruals	17,711	(11,909)	10,646	(15,446)
Amount owing to related parties	-	(700)	-	225
Cash generated from operations	19,301	3,654	45,461	71,153
Income taxes paid	(3,395)	-	(5,257)	-
Net cash generated from operating activities	15,906	3,654	40,204	71,153
Investing activities				
Purchase of plant and equipment	(14,878)	(4,816)	(50,093)	(12,440)
Proceeds from disposal of plant and equipment	6,268	1,277	8,272	3,162
Interest received	414	33	835	400
Net cash used in investing activities	(8,196)	(3,506)	(40,986)	(8,878)
Financing activities				
Payment of Dividend	(5,659)	-	(5,659)	-
Interest paid	(12,960)	(17,228)	(25,641)	(32,334)
Cash deposits pledged	(76,000)	(105,000)	(210,000)	(223,000)
Pledged cash deposit being released	40,000	-	85,000	4,000
Repayment of interest-bearing loans and borrowings	(245,400)	(255,700)	(583,400)	(545,700)
Proceeds from interest-bearing loans and borrowings	280,000	507,400	751,000	881,400
Net cash (used in) / generated from financing activities	(20,019)	129,472	11,300	84,366
Net (decrease) / increase in cash and bank balances	(12,309)	129,620	10,518	146,641
Cash and bank balances at beginning of period	104,746	67,639	81,919	50,618
Cash and bank balances at end of period	92,437	197,259	92,437	197,259

- 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

	← 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

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

	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

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 March 2016. In addition, there were no outstanding convertibles or treasury shares as at 30 June 2016 and 30 June 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	
	30-Jun-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 6-month period ended 30 June 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

	2Q2016	2Q2015	HY2016	HY2015
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
Earnings/(loss) per share				
(a) Based on weighted average number of ordinary shares in issue; and	(2.2)	1.6	(4.6)	3.8
Weighted average number of shares in issue	594,000,000	396,000,000	594,000,000	396,000,000
(b) On a fully diluted basis	(2.2)	1.6	(4.6)	3.8

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	
	30-Jun-2016	31-Dec-2015	30-Jun-2016	31-Dec-2015
Net asset value per ordinary share	RMB 15.8 cents	RMB 21.3 cents	RMB 64.1 cents	RMB 65.8 cents

30-Jun-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 93,656,000 and the Company's net asset value as at the end of the period of RMB 380,891,000 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

2QFY16 versus 2QFY15

Revenue					
	2QFY16		2QFY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	425,887	99.0	656,106	95.9	(35.1)
Animal feeds	1,248	0.3	26,662	3.9	(95.3)
Others	3,045	0.7	1,570	0.2	93.9
Total	430,180	100.0	684,338	100.0	(37.1)

1HFY16 versus 1HFY15

Revenue					
	1HFY16		1HFY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	861,251	98.5	1,188,346	94.7	(27.5)
Animal feeds	9,603	1.1	64,394	5.1	(85.1)
Others	3,875	0.4	2,188	0.2	77.1
Total	874,729	100.0	1,254,928	100.0	(30.3)

The Group's revenue for 2QFY16 decreased by 37.1% from RMB 684.3 million in 2QFY15 to RMB 430.2 million in 2QFY16 while revenue for the six-month period ("1HFY16") decreased by 30.3% year-on-year ("y-o-y") from RMB 1.3 billion to RMB 874.7 million. This was mainly due to both decreases in sales volume and the selling price of our corn refining segment resulting from stiff competition in the corn sweetener industry. The upgrading and modification of the production line in our Henan subsidiary and the relocation of our Shandong subsidiary's plant to Shandong Industrial Park also affected our sales volume.

For 2QFY16, sales volume for the corn refining segment decreased from 272K ("K"=1,000) tonnes to 215K tonnes or about 20.9% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 19.1%, 100.0% and 24.0% respectively. For 1HFY16, sales volume for the corn refining segment decreased by 14.5% y-o-y from 490K tonnes to 419K tonnes. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 12.4%, 100.0% and 18.9% respectively.

For 2QFY16, the weighted average price of the Group's corn refining products decreased by 17.1% y-o-y due to stiff competition. The decrease was mainly attributable to the decreases in average prices of corn sweeteners and by-products of about 20.1% and 7.9% respectively. For the same reason, the weighted average price of the Group's corn refining products for 1HFY16 decreased by 14.6% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners and by-products of about 16.4% and 11.7% respectively.

The Group has suspended the production of animal feed products in order to minimise losses since the last quarter. As such, revenue from the animal feeds segment decreased significantly in 1HFY16 and this was attributable to the decreases in the sales volume and the selling price of 82.2% and 16.1% y-o-y.

The Group's export revenue in 1HFY16 increased by 5.6% as compared to 1HFY15. The export revenue as a percentage of total revenue increased from 2.5% in 1HFY15 to 3.8% in 1HFY16. 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.

Gross profit and gross profit margin

2QFY16 versus 2QFY15

	2QFY16		2QFY15	
	RMB'000	%	RMB'000	%
Corn refining	50,242	11.8	63,234	9.6
Animal feeds	(251)	(20.2)	(510)	(1.9)
Others	(5)	(0.2)	333	21.2
Total	49,986	11.6	63,057	9.2

1HFY16 versus 1HFY15

	1HFY16		1HFY15	
	RMB'000	%	RMB'000	%
Corn refining	97,452	11.3	119,982	10.1
Animal feeds	(1,238)	(12.9)	305	0.5
Others	338	8.7	538	24.6
Total	96,552	11.0	120,825	9.6

For 2QFY16, gross profit decreased by 20.7% or about RMB 13.1 million y-o-y, mainly attributable to the decrease in gross profit of our corn refining segment by 20.5% or about RMB 13.0 million. Revenue decreased by 37.1% y-o-y, while the cost of sales for the corresponding period decreased by 38.8%. Group gross profit margin increased by 26.1% y-o-y to 11.6%. This was mainly due to the significant decrease in corn raw material prices of about 24.4%. Our capacity utilisation rates decreased from 82.5% for 2QFY15 to 64.4% for 2QFY16.

For the same reason, for 1HFY16, gross profit decreased by 20.1% or about RMB 24.3 million y-o-y, mainly attributable to the decrease in gross profit of our corn refining segment by 18.8% or about RMB 22.5 million. Group revenue decreased by 30.3% y-o-y, while the cost of sales for the corresponding period decreased by 31.4%. Group gross profit margin increased by 14.6% y-o-y to 11.0%. This was mainly due to the significant decrease in corn raw material prices of about 23.3%. Our capacity utilisation rates decreased from 73.1% for 1HFY15 to 61.2% for 1HFY16.

The Group's animal feeds segment made a gross loss of about RMB 1.2 million in 1HFY16 compared with a gross profit of RMB 0.3 million in 1HFY15, a decrease of RMB 1.5 million. This was due to the decrease in both the sales volume and selling price by 82.2% and 16.1% 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 about RMB 0.3 million in 1HFY16 compared with RMB 0.5 million in 1HFY15, due mainly to the decrease of about RMB 0.2 million in gross profit from our Hongzhou subsidiary.

Other operating income

Other operating income decreased by RMB 8.8 million from RMB 21.0 million in 1HFY15 to RMB 12.2 million in 1HFY16 due mainly to the decreases in gain on sale of consumables and waste materials, grant and subsidies, insurance claim compensation and penalties imposed on supplier. These decreases were partially offset by the increase in interest income from banks.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 2.6% from RMB 50.8 million in 1HFY15 to RMB 49.5 million in 1HFY16. This is mainly attributable to a reduction 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 38.8% from RMB 39.7 million in 1HFY15 to RMB 55.1 million in 1HFY16. This was mainly attributable to the increases in depreciation charge due to production halts of certain products and staff costs (including salary, social insurance payment and other welfare).

- Other operating expenses

Other operating expenses increased by RMB 2.6 million from RMB 0.4 million in 1HFY15 to RMB 3.0 million in 1HFY16. This was due mainly to the increases in loss on disposal of plant and equipment of about RMB 0.9 million occurred in our Shandong subsidiary, loss on sale of raw materials of about RMB 0.5 million due to the suspension of production of our animal feed branch, and payment of accrued income tax for prior year of about RMB 1.3 million by our Shaanxi subsidiary and Henan subsidiary.

Finance expenses

The Group's finance expenses decreased by 20.7% from RMB 32.3 million in 1HFY15 to RMB 25.6 million in 1HFY16. This was attributable to the decrease in interest costs resulting from the lower bank loan interest rate.

Taxation

The decrease in income tax expense was due to the decrease of the net profit generated from the 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 1HFY16 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 278.4% from a profit of RMB 15.2 million in 1HFY15 to a loss of RMB 27.2 million in 1HFY16 due mainly to a 20.1% y-o-y decrease in gross profit or about RMB 24.3 million, the decrease of RMB 8.8 million in other operating income, and the increase of RMB 15.4 million in administrative expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1HFY16</u>	<u>FY15</u>
Inventory turnover days	45	37
Trade receivable turnover days	37	27
Trade payable turnover days	53	36
Debt equity ratio	10.62	6.54

(i) Current assets

Current assets increased by RMB 170.8 million from RMB 591.2 million as at 31 December 2015 to RMB 762.0 million as at 30 June 2016, due mainly to the increase in other receivables, deposits and prepayments of RMB 61.5 million (mainly for prepayments to suppliers for the purchase of corn materials and other production materials and construction supplies for upgrading of our Shaanxi subsidiary's plant and the relocation of our Shandong subsidiary's plant to Shandong Industrial Park), and the increase in cash and cash equivalents of RMB 135.5 million, which were partially offset by the decrease in inventories of RMB 15.3 million and the decrease in trade receivables of RMB 10.9 million. Trade receivable turnover days increased from 27 days in FY15 to 37 days in 1HFY16. Inventory turnover days was higher at 45 days in 1HFY16 as compared with 37 days for FY15.

(ii) Non-current assets

The increase in non-current assets of RMB 1.4 million was mainly due to the capital expenditure of RMB 50.1 million, which was partially offset by the depreciation of RMB 39.7 million and the disposal of plant and equipment of RMB 9.0 million.

(iii) Current liabilities

Current liabilities increased by RMB 198.6 million from RMB 560.6 million as at 31 December 2015 to RMB 759.1 million as at 30 June 2016, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 158.0 million, the increase in trade payables of RMB 32.4 million and the increase in other payables and accruals of RMB 10.6 million. Trade payable turnover days was higher at 53 days, compared with 36 days for FY15.

The Group's debt equity ratio was 10.62 times as at 30 June 2016 compared with 6.54 times as at 31 December 2015, and the net debt equity ratio was 7.39 times as at 30 June 2016 (31 December 2015: 5.22 times). This was due to the decrease of RMB 32.8 million in total equity resulting from the net loss in 1HFY16 and payment of dividend in May 2016, and the increase of RMB 167.6 million in total interest-bearing loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 6.5 million due to the increase of RMB 9.6 million in long-term interest-bearing loans, partially offset by the decrease of RMB 3.1 million in deferred income.

(v) Shareholders' equity

As at 30 June 2016, shareholders' equity was lower than that as at 31 December 2015 due to the net loss of RMB 27.2 million occurred in 1HFY16 and payment of dividend of RMB 5.7 million in May 2016.

c) Cash Flows

For 1HFY16, the Group experienced net operating cash inflow of RMB 40.2 million. This comprised operating profit before changes in working capital of RMB 37.7 million adjusted for decrease in working capital of RMB 7.8 million, and income tax paid of RMB 5.3 million.

The change in working capital was mainly the result of:

- i) a decrease in inventory of RMB 15.3 million;
- ii) a decrease in trade receivables of RMB 10.9 million;
- iii) an increase in trade payables of RMB 32.4 million; and
- iv) an increase in other payables and accruals of RMB 10.6 million,

which were offset by an increase in other receivables, deposits and prepayments of RMB 61.5 million.

Net cash used in investing activities amounted to RMB 41.0 million in 1HFY16. 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 capacity; the relocation of Shandong subsidiary's plant; 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 8.3 million.

Net cash inflow from financing activities was RMB 11.3 million, mainly due to the net increase in total bank loans of RMB 167.6 million, which was partially offset by an increase in pledged cash deposits of RMB 125.0 million, and payment of interest expense and dividend of RMB 25.6 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 2QFY16 are consistent with the commentary under section 10 of the announcement dated 12 May 2016 on the unaudited financial statements for the first quarter ended 31 March 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

Cane sugar prices increased in 2QFY16 while corn raw material prices have remained low, maintaining the attractiveness of corn syrup as an alternative. However, stiff competition among corn sweetener producers has put pressure on selling prices of the finished products. The Group expects the sales in 2HFY16 to be sluggish and that its cash flow may be affected. As such, the management will be monitoring the Group's cash flow closely and work with the banks to obtain adequate financing facilities for its operations.

The Group is on track with the upgrading of the plant at its Shaanxi subsidiary, which is to be completed in 3QFY16, and the relocation and consolidation of its facilities in Shandong, which is expected to be substantially completed by the end of 2016.

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/recommended, a statement to that effect

No dividend has been declared for the second quarter ended 30 June 2016.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2016

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Six months ended	Six months ended
	RMB'000	RMB'000
	30/06/2016	30/06/2015
Rental expenses to Shandong Luzhou	1,550	1,550
Rental expenses to Shaanxi Luzhou	1,050	1,050

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 second quarter ended 30 June 2016 to be false or misleading in any material aspect.

For and 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
11 August 2016