



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Third Quarter and
Nine Months Results
Announcement for the Period
Ended 30 September 2016**



**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 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.**

	3QFY16	3QFY15	Change	9MFY16	9MFY15	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	509,586	655,823	(22.3)	1,384,315	1,910,751	(27.6)
Cost of sales	(460,274)	(584,580)	(21.3)	(1,238,451)	(1,718,683)	(27.9)
Gross profit	49,312	71,243	(30.8)	145,864	192,068	(24.1)
Other operating income	14,136	8,884	59.1	26,327	29,917	(12.0)
Selling and distribution expenses	(26,737)	(29,640)	(9.8)	(76,218)	(80,431)	(5.2)
Administrative expenses	(24,502)	(28,084)	(12.8)	(79,589)	(67,780)	17.4
Other operating expenses	(1,984)	(37)	5,262.2	(4,944)	(440)	1,023.6
Finance expenses	(12,815)	(15,241)	(15.9)	(38,456)	(47,575)	(19.2)
(Loss) / profit before taxation	(2,590)	7,125	(136.4)	(27,016)	25,759	(204.9)
Taxation	(1,088)	(1,942)	(44.0)	(3,851)	(5,335)	(27.8)
(Loss) / profit for the period and total comprehensive (loss)/income	(3,678)	5,183	(171.0)	(30,867)	20,424	(251.1)
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(3,678)	5,183	(171.0)	(30,867)	20,424	(251.1)
Gross profit margin	9.7%	10.9%	(11.0)	10.5%	10.1%	4.0
Net (loss)/profit margin	(0.7%)	0.8%	(187.5)	(2.2%)	1.1%	(300.0)
(Loss)/profit per share (RMB cents)						
- basic	(0.6)	1.2	(150.0)	(5.2)	5.0	(204.0)
- diluted	(0.6)	1.2	(150.0)	(5.2)	5.0	(204.0)

Notes to the Comprehensive Income Statement

	3QFY16	3QFY15	Change	9MFY16	9MFY15	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss)/profit before tax is arrived at after charging/ (crediting):						
Interest income	(1,243)	(1,914)	(35.1)	(2,078)	(2,314)	(10.2)
Interest expense on borrowings	12,815	15,241	(15.9)	38,456	47,575	(19.2)
Depreciation of plant and equipment	18,611	19,716	(5.6)	57,771	59,157	(2.3)
Amortisation of land use rights	267	267	-	801	801	-
Amortisation of government grants	(1,598)	(1,520)	5.1	(4,722)	(4,561)	3.5
Foreign exchange loss/(gain), net	5	(914)	100.6	3	(848)	100.4
(Gain) on disposal of plant and equipment, net	(1,006)	(465)	116.3	(287)	(502)	(42.8)
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-Sep-2016	31-Dec-2015	30-Sep-2016	31-Dec-2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	140,311	198,227	-	-
Trade receivables	189,977	183,895	-	-
Other receivables, deposits and prepayments	58,189	42,175	10,785	10,786
Cash and cash equivalents ⁽¹⁾	354,510	166,919	5,842	16,613
	<u>742,987</u>	<u>591,216</u>	<u>16,627</u>	<u>27,399</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	702,819	647,968	-	-
Land use rights	44,965	45,766	-	-
	<u>747,784</u>	<u>693,734</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,490,771</u>	<u>1,284,950</u>	<u>389,281</u>	<u>400,053</u>
LIABILITIES				
Current liabilities				
Trade payables	201,316	208,172	-	-
Other payables and accruals	106,953	77,890	788	950
Amount owing to related parties	875	525	9,570	8,358
Interest-bearing loans and borrowings	406,000	265,000	-	-
Deferred income	6,467	6,248	-	-
Income tax payable	210	2,748	-	-
	<u>721,821</u>	<u>560,583</u>	<u>10,358</u>	<u>9,308</u>
Non-current liabilities				
Interest-bearing loans and borrowings	645,000	562,400	-	-
Deferred income	33,383	34,874	-	-
Deferred taxation	589	589	-	-
	<u>678,972</u>	<u>597,863</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,400,793</u>	<u>1,158,446</u>	<u>10,358</u>	<u>9,308</u>
NET ASSETS	<u>89,978</u>	<u>126,504</u>	<u>378,923</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	(309,638)	(273,112)	70,200	82,022
TOTAL EQUITY	<u>89,978</u>	<u>126,504</u>	<u>378,923</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- Sep-2016	31-Dec-2015
	RMB'000	RMB'000
Cash and bank balances	168,510	81,919
Pledged cash deposits	186,000	85,000
	354,510	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-Sep-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
366,000	40,000	235,000	30,000

Amount repayable after one year

As at 30-Sep-2016		As at 31-Dec-2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
384,000	261,000	254,000	308,400

Details of any collateral

As at 30 September 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.

	3QFY16	3QFY15	9MFY16	9MFY15
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before taxation	(2,590)	7,125	(27,016)	25,759
Adjustments for:-				
Depreciation of plant and equipment	18,611	19,716	57,771	59,157
Amortisation of land use rights	267	267	801	801
Amortisation of government grants	(1,598)	(1,520)	(4,722)	(4,561)
(Gain) on disposal of plant and equipment	(1,006)	(465)	(287)	(502)
Interest expense	12,815	15,241	38,456	47,575
Interest income	(1,243)	(1,914)	(2,078)	(2,314)
Foreign exchange gain resulting from repayment of interest-free loan from a director	-	(815)	-	(815)
Reversal of allowance for slow-moving inventories	-	-	-	(22)
Operating profit before working capital changes	25,256	37,635	62,925	125,078
Changes in working capital:				
Inventories	42,634	101,621	57,916	60,441
Trade receivables	(17,023)	50,396	(6,082)	(13,908)
Other receivables, deposits and prepayments	45,464	(1,437)	(16,014)	(20,682)
Amount owing by related parties	-	742	-	(808)
Trade payables	(39,257)	(138,909)	(6,856)	(13,699)
Other payables and accruals	18,417	(9,300)	29,063	(24,746)
Amount owing to related parties	350	(525)	350	(300)
Cash generated from operations	75,841	40,223	121,302	111,376
Income taxes paid	(1,132)	(801)	(6,389)	(801)
Net cash generated from operating activities	74,709	39,422	114,913	110,575
Cash flows from investing activities				
Purchase of plant and equipment	(81,629)	(9,679)	(131,722)	(22,119)
Proceeds from disposal of plant and equipment	11,115	5,040	19,387	8,202
Proceeds from government grants	3,450	-	3,450	-
Interest income received	1,243	1,914	2,078	2,314
Net cash used in investing activities	(65,821)	(2,725)	(106,807)	(11,603)

Cash flows from financing activities

Proceeds from issue of shares	-	26,806	-	26,806
Listing expenses	-	(501)	-	(501)
Payment of Dividend	-	-	(5,659)	-
Interest expense paid	(12,815)	(15,241)	(38,456)	(47,575)
Cash deposits pledged	(110,000)	(30,000)	(320,000)	(253,000)
Pledged cash deposit being released	134,000	118,000	219,000	122,000
Foreign exchange gain resulting from repayment of interest-free loan from a director	-	815	-	815
Repayment of interest-free loan from a Director	-	(9,841)	-	(9,841)
Repayment of interest-bearing loans and borrowings	(319,000)	(327,200)	(902,400)	(872,900)
Proceeds from interest-bearing loans and borrowings	375,000	180,000	1,126,000	1,061,400
Net cash generated from / (used in) financing activities	67,185	(57,162)	78,485	27,204
Net increase / (decrease) in cash and bank balances	76,073	(20,465)	86,591	126,176
Cash and bank balances at beginning of period	92,437	197,259	81,919	50,618
Cash and bank balances at end of period	168,510	176,794	168,510	176,794

- 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

	← 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

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

	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

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 June 2016. In addition, there were no outstanding convertibles or treasury shares as at 30 September 2016 and 30 September 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-Sep-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 9-month period ended 30 September 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.

	3QFY16	3QFY15	9MFY16	9MFY15
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss)/profit per share				
(a) Based on weighted average number of ordinary shares in issue; and	(0.6)	1.2	(5.2)	5.0
Weighted average number of shares in issue	594,000,000	422,400,000	594,000,000	404,800,000
(b) On a fully diluted basis	(0.6)	1.2	(5.2)	5.0

- 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-Sep-2016	31-Dec-2015	30-Sep-2016	31-Dec-2015
Net asset value per ordinary share	RMB 15.1 cents	RMB 21.3 cents	RMB 63.8 cents	RMB 65.8 cents

30-Sep-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 89,978,000 and the Company's net asset value as at the end of the period of RMB 378,923,000 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

3QFY16 versus 3QFY15

Revenue	3QFY16		3QFY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	509,312	99.9	615,532	93.8	(17.3)
Animal feeds	-	-	39,704	6.1	(100.0)
Others	274	0.1	587	0.1	(53.3)
Total	509,586	100.0	655,823	100.0	(22.3)

9MFY16 versus 9MFY15

Revenue	9MFY16		9MFY15		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,370,563	99.0	1,803,878	94.5	(24.0)
Animal feeds	9,603	0.7	104,098	5.4	(90.8)
Others	4,149	0.3	2,775	0.1	49.5
Total	1,384,315	100.0	1,910,751	100.0	(27.6)

The Group's revenue decreased by 22.3% from RMB 655.8 million in 3QFY15 to RMB 509.6 million in 3QFY16, while revenue for the nine-month period ("9MFY16") decreased by 27.6% year-on-year ("y-o-y") from RMB 1.9 billion to RMB 1.4 billion. This was mainly due to both decreases in sales volume and the selling price of our corn refining segment resulting from the continuing weak market demand and 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 3QFY16, sales volume for the corn refining segment decreased from 262K ("K"=1,000) tonnes to 253K tonnes or about 3.4% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn starch and by-products of about 100.0% and 4.2% respectively, and the slight increase in the sales volumes of corn sweeteners of about 1.7%. For 9MFY16, sales volume for the corn refining segment decreased from 752K tonnes to 672K tonnes or by about 10.6% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 7.6%, 100.0% and 14.0% respectively.

For 3QFY16, the weighted average selling price of the Group's corn refining products decreased by 15.5% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners and by-products of about 18.0%

and 1.3% respectively. The weighted average selling price of the Group's corn refining products for 9MFY16 decreased by 14.9% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners and by-products by about 17.1% and 7.9% 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 9MFY16 and this was attributable to the decreases in the sales volume and the selling price of 89.2% and 14.4% y-o-y respectively.

Gross profit and gross profit margin

3QFY16 versus 3QFY15

	3QFY16		3QFY15	
	RMB'000	%	RMB'000	%
Com refining	48,877	9.6	69,941	11.4
Animal feeds	-	-	834	2.1
Others	435	158.6	468	80.0
Total	<u>49,312</u>	9.7	<u>71,243</u>	10.9

9MFY16 versus 9MFY15

	9MFY16		9MFY15	
	RMB'000	%	RMB'000	%
Com refining	146,329	10.7	189,923	10.5
Animal feeds	(1,238)	(12.9)	1,139	1.1
Others	773	18.6	1,006	36.3
Total	<u>145,864</u>	10.5	<u>192,068</u>	10.1

Gross profit for 3QFY16 decreased by 30.8% or RMB 21.9 million y-o-y, and the gross profit margin decreased from 10.9% in 3QFY15 to 9.7%. Revenue decreased by 22.3% y-o-y, while the cost of sales for the corresponding period decreased by 21.3%. These were due mainly to the decrease in revenue of our corn refining products resulting from the decrease in selling price and offset by corresponding lower corn price of about 15.1% y-o-y.

For the similar reason, gross profit for 9MFY16 decreased by 24.1% y-o-y to RMB 145.9 million. Group revenue for 9MFY16 decreased by 27.6% y-o-y, while the cost of sales for the corresponding period decreased by 27.9%. Group gross profit margin increased by 4.0% y-o-y to 10.5%. This was mainly due to the significant decrease in corn raw material prices of about 20.9%.

The Group's animal feeds segment made a gross loss of about RMB 1.2 million in 9MFY16 compared with a gross profit of RMB 1.1 million in 9MFY15, a decrease of RMB 2.4 million. This was due to the decrease in both the sales volume and selling price by 89.2% and 14.4% 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 (include our Hongzhou subsidiary) made a gross profit of RMB 0.8 million in 9MFY16, a decrease of RMB 0.2 million y-o-y.

Other operating income

Other operating income decreased by 12.0% from RMB 29.9 million in 9MFY15 to RMB 26.3 million in 9MFY16 due largely to the decreases in insurance claim compensation and penalties imposed on supplier, which are partially offset by the increase in government grant and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 5.2% from RMB 80.4 million in 9MFY15 to RMB 76.2 million in 9MFY16. This is 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 17.4% from RMB 67.8 million in 9MFY15 to RMB 79.6 million in 9MFY16. This was mainly due to production halts of certain products and the increase in staff costs (including salary, social insurance payment and other welfare).

- Other operating expenses

Other operating expenses increased by RMB 4.5 million from RMB 0.4 million in 9MFY15 to RMB 4.9 million in 9MFY16. This was due to the sale of raw materials of about RMB 2.9 million as a result of the suspension of production of our animal feed segment and payment of accrued income tax for prior year of about RMB 1.3 million by our Shaanxi subsidiary and Henan subsidiary.

Finance costs

The Group's finance costs decreased by 19.2% or about RMB 9.1 million from RMB 47.6 million in 9MFY15 to RMB 38.5 million in 9MFY16. This was attributable to the decrease in interest costs resulting from the lower average bank loan interest rate.

Taxation

The decrease in income tax expense was due to the decrease in net profit generated from the Shaanxi subsidiary and 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 9MFY16 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 251.1% y-o-y from a profit of RMB 20.4 million to a loss of RMB 30.9 million in 9MFY16 due mainly to a 24.1% y-o-y decrease in gross profit or about RMB 46.2 million, the increase of RMB 11.8 million in administrative expenses, and the decreases in selling and distribution expenses and finance costs.

b) Statement of Financial Position

<u>GROUP</u>	<u>9MFY16</u>	<u>FY15</u>
Inventory turnover days	37	37
Trade receivable turnover days	37	27
Trade payable turnover days	45	36
Debt equity ratio	11.68	6.54

(i) Current assets

Current assets increased by RMB 151.8 million from RMB 591.2 million as at 31 December 2015 to RMB 743.0 million as at 30 September 2016, due mainly to the increase in trade receivables of RMB 6.1 million, the increase in other receivables, deposits and prepayments of RMB 16.0 million (mainly for prepayments to suppliers for the purchase of production materials and the expenses resulting from the relocation of our Shandong subsidiary's plant to Shandong Industrial Park), and the increase in cash and cash equivalents of RMB 187.6 million, which were partially offset by the decrease in inventories of RMB 57.9 million. Trade receivable turnover days increased from 27 days in FY15 to 37 days in 9MFY16, due mainly to slower collection arising from the weak domestic economy. Inventory turnover days remained at 37 days, being the same as in FY15.

(ii) Non-current assets

The increase in non-current assets of RMB 54.1 million was mainly due to the capital expenditure of RMB 131.7 million, which was partially offset by the depreciation of RMB 58.6 million and the disposal of plant and equipment of RMB 19.1 million.

(iii) Current liabilities

Current liabilities increased by RMB 161.2 million from RMB 560.6 million as at 31 December 2015 to RMB 721.8 million as at 30 September 2016, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 141.0 million and the increase in other payables and accruals of RMB 29.1 million. Trade payable turnover days was higher at 45 days, compared with 36 days for FY15.

The Group's debt equity ratio was 11.68 times as at 30 September 2016 compared with 6.54 times as at 31 December 2015, and the net debt equity ratio was 7.74 times as at 30 September 2016 (31 December 2015: 5.22 times). This was due to the decrease of RMB 36.5 million in total equity resulting from the net loss in 9MFY16 and payment of dividend in May 2016, and the increase of RMB 223.6 million in total interest-bearing

loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 81.1 million due to the increase of RMB 82.6 million in long-term interest-bearing loans, partially offset by the decrease of RMB 1.5 million in deferred income.

(v) Shareholders' equity

As at 30 September 2016, shareholders' equity was lower than that as at 31 December 2015 due to the net loss of RMB 30.9 million in 9MFY16 and payment of dividend of RMB 5.7 million in May 2016.

c) Cash Flows

For 9MFY16, the Group experienced net operating cash inflow of RMB 114.9 million. This comprised operating profit before changes in working capital of RMB 62.9 million adjusted for changes in working capital of RMB 58.4 million and income taxes paid of RMB 6.4 million.

The decrease in working capital was the result of mainly:

- i) a decrease in inventory of RMB 57.9 million; and
- ii) an increase in other payables and accruals of RMB 29.1 million,

which were offset by

- iii) an increase in trade receivables of RMB 6.1 million;
- iv) an increase in other receivables, deposits and prepayments of RMB 16.0 million; and
- v) a decrease in trade payables of RMB 6.9 million.

Net cash used in investing activities amounted to RMB 106.8 million in 9MFY16. 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 in 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 19.4 million and the government grants of RMB 3.5 million for the boiler construction by our Henan subsidiary.

Net cash inflow from financing activities was RMB 78.5 million, mainly due to the net increase in total bank loans of RMB 223.6 million, which was partially offset by an increase in pledged cash deposits of RMB 101.0 million, and payment of interest expense and dividend of RMB 38.5 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 3QFY16 are consistent with the commentary under section 10 of the announcement dated 11 August 2016 on the unaudited financial statements for the second quarter and half year ended 30 June 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.

Tepid Market and Business Climate

The Group maintains a cautious outlook due to a relatively challenging external environment, as stiffer competition brought on by lower corn raw material prices has resulted in pricing pressure. On the demand side, the Group expects organic growth in consumption to continue, driven largely by increasing consumer affluence. However, in the short term this may be hindered by uncertainty and slower growth, due to China's efforts to restructure towards a more service and consumption-driven economic model.

Additionally, the Group will be monitoring the impact of the Chinese central government's recent guidelines advising citizens to eat a healthier and more balanced diet; this may have a gradual effect on consumer demand for sweetened food and beverage products, especially in developed cities. However, the Group has a diversified portfolio of processed corn products (other than sweeteners), and a geographical presence that includes rural and emerging areas, which should enable it to withstand and respond to changes in the marketplace.

Expanding Footprint

On 28 October 2016, the Group announced plans to expand into Xinjiang to take advantage of untapped demand for fructose products there. The first phase of development is estimated to be completed in 2018, and funded by internally generated funds and bank borrowings, although this is not expected to have any material financial impact for the current financial year 2016.

Streamlining and Upgrading of Facilities

The Group has completed the upgrading of the plant for its Shaanxi subsidiary, which will allow for greater production flexibility and efficiency. The relocation and consolidation of facilities in Shandong continues with a target of full completion by 2017. In line with the relocation, the Group is also entitled to compensation from the government and is finalising the details of this, as previously announced on 29 September 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 third quarter ended 30 September 2016.

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

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Nine months ended	Nine months ended
	30/09/2016	30/09/2015
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	1,550	2,325
Rental expenses to Shaanxi Luzhou	1,575	1,575

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 third quarter ended 30 September 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 November 2016