



# **LUZHOU BIO-CHEM TECHNOLOGY LIMITED**

(Company Registration Number: 200412523N)

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**Second Quarter and  
Half Year Results  
Announcement for the Period  
Ended 30 June 2017**

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

|                                                                           | <b>2Q2017</b>  | <b>2Q2016</b>   | <b>Change</b> | <b>HY2017</b>  | <b>HY2016</b>   | <b>Change</b> |
|---------------------------------------------------------------------------|----------------|-----------------|---------------|----------------|-----------------|---------------|
|                                                                           | <b>RMB'000</b> | <b>RMB'000</b>  | <b>%</b>      | <b>RMB'000</b> | <b>RMB'000</b>  | <b>%</b>      |
| Revenue                                                                   | 508,601        | 430,180         | 18.2          | 996,143        | 874,729         | 13.9          |
| Cost of sales                                                             | (464,414)      | (380,194)       | 22.2          | (888,258)      | (778,177)       | 14.1          |
| <b>Gross profit</b>                                                       | <b>44,187</b>  | <b>49,986</b>   | <b>(11.6)</b> | <b>107,885</b> | <b>96,552</b>   | <b>11.7</b>   |
| Other operating income                                                    | 67,148         | 6,184           | 985.8         | 73,860         | 12,191          | 505.9         |
| Selling and distribution expenses                                         | (32,605)       | (24,458)        | 33.3          | (66,988)       | (49,481)        | 35.4          |
| Administrative expenses                                                   | (22,821)       | (27,561)        | (17.2)        | (49,240)       | (55,087)        | (10.6)        |
| Other operating expenses                                                  | (2,216)        | (2,878)         | (23.0)        | (2,626)        | (2,960)         | (11.3)        |
| Finance expenses                                                          | (13,715)       | (12,960)        | 5.8           | (27,041)       | (25,641)        | 5.5           |
| <b>Profit/(loss) before taxation</b>                                      | <b>39,978</b>  | <b>(11,687)</b> | <b>442.1</b>  | <b>35,850</b>  | <b>(24,426)</b> | <b>246.8</b>  |
| Taxation                                                                  | (235)          | (1,233)         | (80.9)        | (501)          | (2,763)         | (81.9)        |
| <b>Profit/(loss) for the period and total comprehensive income/(loss)</b> | <b>39,743</b>  | <b>(12,920)</b> | <b>407.6</b>  | <b>35,349</b>  | <b>(27,189)</b> | <b>230.0</b>  |
| <b>Total comprehensive income/(loss) attributable to:</b>                 |                |                 |               |                |                 |               |
| Equity holders of the Company                                             | 39,743         | (12,920)        | 407.6         | 35,349         | (27,189)        | 230.0         |
| Gross profit margin                                                       | 8.7%           | 11.6%           | (25.0)        | 10.8%          | 11.0%           | (1.8)         |
| Net profit/(loss) margin                                                  | 7.8%           | (3.0%)          | 360.0         | 3.5%           | (3.1%)          | 212.9         |
| Profit/(loss) per share (RMB cents)                                       |                |                 |               |                |                 |               |
| - basic                                                                   | 6.7            | (2.2)           | 404.5         | 6.0            | (4.6)           | 230.4         |
| - diluted                                                                 | 6.7            | (2.2)           | 404.5         | 6.0            | (4.6)           | 230.4         |

## Notes to the Comprehensive Income Statement

|                                                                    | 2Q2017<br>RMB'000 | 2Q2016<br>RMB'000 | Change<br>% | HY2017<br>RMB'000 | HY2016<br>RMB'000 | Change<br>% |
|--------------------------------------------------------------------|-------------------|-------------------|-------------|-------------------|-------------------|-------------|
| Profit/(loss) before tax is arrived at after charging/(crediting): |                   |                   |             |                   |                   |             |
| Interest income                                                    | (573)             | (414)             | 38.4        | (1,251)           | (835)             | 49.8        |
| Interest expense on borrowings                                     | 13,715            | 12,960            | 5.8         | 27,041            | 25,641            | 5.5         |
| Depreciation of property, plant and equipment                      | 20,898            | 19,292            | 8.3         | 39,859            | 39,160            | 1.8         |
| Amortisation of land use rights                                    | 268               | 267               | 0.4         | 535               | 534               | 0.2         |
| Amortisation of government grants                                  | (1,685)           | (1,562)           | 7.9         | (3,359)           | (3,124)           | 7.5         |
| Foreign exchange loss/(gain), net                                  | 179               | 63                | 184.1       | 72                | (2)               | 3,700.0     |
| Loss on disposal of plant and equipment                            | 598               | 898               | (33.4)      | 250               | 719               | (65.2)      |
| Reversal of impairment of property, plant and equipment            | (67,441)          | -                 | -           | (67,441)          | -                 | -           |
| 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        |                |
|---------------------------------------------|------------------|------------------|----------------|----------------|
|                                             | 30-Jun-2017      | 31-Dec-2016      | 30-Jun-2017    | 31-Dec-2016    |
|                                             | RMB'000          | RMB'000          | RMB'000        | RMB'000        |
| <b>ASSETS:-</b>                             |                  |                  |                |                |
| <b>Current assets</b>                       |                  |                  |                |                |
| Inventories                                 | 182,782          | 175,554          | -              | -              |
| Trade receivables                           | 217,637          | 184,653          | -              | -              |
| Other receivables, deposits and prepayments | 67,239           | 117,199          | 10,786         | 10,786         |
| Amount owing by related parties             | 425              | 950              | -              | -              |
| Income tax prepaid                          | 877              | -                | -              | -              |
| Cash and cash equivalents <sup>(1)</sup>    | 362,435          | 301,172          | 5,557          | 5,376          |
|                                             | <u>831,395</u>   | <u>779,528</u>   | <u>16,343</u>  | <u>16,162</u>  |
| <b>Non-current assets</b>                   |                  |                  |                |                |
| Investment in subsidiaries                  | -                | -                | 372,654        | 372,654        |
| Available for sale investment               | 2,060            | 2,060            | -              | -              |
| Property, plant and equipment               | 691,245          | 656,874          | -              | -              |
| Land use rights                             | 44,209           | 44,744           | -              | -              |
|                                             | <u>737,514</u>   | <u>703,678</u>   | <u>372,654</u> | <u>372,654</u> |
| <b>Total assets</b>                         | <u>1,568,909</u> | <u>1,483,206</u> | <u>388,997</u> | <u>388,816</u> |
| <b>LIABILITIES</b>                          |                  |                  |                |                |
| <b>Current liabilities</b>                  |                  |                  |                |                |
| Trade payables                              | 241,664          | 233,954          | -              | -              |
| Other payables and accruals                 | 101,413          | 98,715           | 531            | 979            |
| Amount owing to related parties             | 1,550            | 1,550            | 10,779         | 9,973          |
| Interest-bearing loans and borrowings       | 390,500          | 330,000          | -              | -              |
| Deferred income                             | 6,036            | 6,201            | -              | -              |
| Income tax payable                          | -                | 261              | -              | -              |
|                                             | <u>741,163</u>   | <u>670,681</u>   | <u>11,310</u>  | <u>10,952</u>  |
| <b>Non-current liabilities</b>              |                  |                  |                |                |
| Interest-bearing loans and borrowings       | 613,000          | 640,000          | -              | -              |
| Interest-bearing loan from a Director       | 9,864            | -                | 9,864          | -              |
| Deferred income                             | 40,079           | 37,212           | -              | -              |
| Deferred taxation                           | 589              | 589              | -              | -              |
|                                             | <u>663,532</u>   | <u>677,801</u>   | <u>9,864</u>   | <u>-</u>       |
| <b>Total liabilities</b>                    | <u>1,404,695</u> | <u>1,348,482</u> | <u>21,174</u>  | <u>10,952</u>  |
| <b>NET ASSETS</b>                           | <u>164,214</u>   | <u>134,724</u>   | <u>367,823</u> | <u>377,864</u> |
| <b>EQUITY</b>                               |                  |                  |                |                |
| Share capital                               | 308,723          | 308,723          | 308,723        | 308,723        |
| Statutory reserves                          | 91,380           | 91,380           | -              | -              |
| Accumulated (loss)/profits                  | (235,889)        | (265,379)        | 59,100         | 69,141         |
| <b>TOTAL EQUITY</b>                         | <u>164,214</u>   | <u>134,724</u>   | <u>367,823</u> | <u>377,864</u> |

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

|                        | <b>30- Jun-2017</b> | <b>31-Dec-2016</b> |
|------------------------|---------------------|--------------------|
|                        | <b>RMB'000</b>      | <b>RMB'000</b>     |
| Cash and bank balances | 149,055             | 155,172            |
| Pledged cash deposits  | 213,380             | 146,000            |
|                        | <b>362,435</b>      | <b>301,172</b>     |

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

**Amount repayable in one year or less, or on demand**

| <b>As at 30-Jun-2017</b> |                  | <b>As at 31-Dec-2016</b> |                  |
|--------------------------|------------------|--------------------------|------------------|
| <b>Secured</b>           | <b>Unsecured</b> | <b>Secured</b>           | <b>Unsecured</b> |
| <b>RMB'000</b>           | <b>RMB'000</b>   | <b>RMB'000</b>           | <b>RMB'000</b>   |
| 350,500                  | 40,000           | 290,000                  | 40,000           |

**Amount repayable after one year**

| <b>As at 30-Jun-2017</b> |                  | <b>As at 31-Dec-2016</b> |                  |
|--------------------------|------------------|--------------------------|------------------|
| <b>Secured</b>           | <b>Unsecured</b> | <b>Secured</b>           | <b>Unsecured</b> |
| <b>RMB'000</b>           | <b>RMB'000</b>   | <b>RMB'000</b>           | <b>RMB'000</b>   |
| 408,000                  | 214,864          | 379,000                  | 261,000          |

**Details of any collateral**

As at 30 June 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.**

|                                                                 | <b>2Q2017</b>   | <b>2Q2016</b>   | <b>HY2017</b>   | <b>HY2016</b>   |
|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                 | <b>RMB'000</b>  | <b>RMB'000</b>  | <b>RMB'000</b>  | <b>RMB'000</b>  |
| <b>Operating activities</b>                                     |                 |                 |                 |                 |
| Profit / (loss) before taxation                                 | 39,978          | (11,687)        | 35,850          | (24,426)        |
| Adjustments for:-                                               |                 |                 |                 |                 |
| Depreciation of plant and equipment                             | 20,898          | 19,292          | 39,859          | 39,160          |
| Amortisation of land use rights                                 | 268             | 267             | 535             | 534             |
| Amortisation of government grants                               | (1,685)         | (1,562)         | (3,359)         | (3,124)         |
| Loss on disposal of plant and equipment                         | 598             | 898             | 250             | 719             |
| Interest expense                                                | 13,715          | 12,960          | 27,041          | 25,641          |
| Interest income                                                 | (573)           | (414)           | (1,251)         | (835)           |
| Reversal of impairment of plant and equipment                   | (67,441)        | -               | (67,441)        | -               |
| Reversal of allowance for doubtful trade receivables            | -               | -               | (5)             | -               |
| <b>Operating profit before working capital changes</b>          | <b>5,758</b>    | <b>19,754</b>   | <b>31,479</b>   | <b>37,669</b>   |
| Changes in working capital:                                     |                 |                 |                 |                 |
| Inventories                                                     | (1,827)         | (21,036)        | (7,228)         | 15,282          |
| Trade receivables                                               | (40,714)        | 4,964           | (32,979)        | 10,941          |
| Other receivables, deposits and prepayments                     | 42,335          | (48,417)        | 49,960          | (61,478)        |
| Amount owing by related parties                                 | 175             | 350             | 525             | -               |
| Trade payables                                                  | 25,295          | 45,975          | 7,710           | 32,401          |
| Other payables and accruals                                     | 2,530           | 17,711          | 2,698           | 10,646          |
| <b>Cash generated from operations</b>                           | <b>33,552</b>   | <b>19,301</b>   | <b>52,165</b>   | <b>45,461</b>   |
| Income taxes paid                                               | (501)           | (3,395)         | (1,639)         | (5,257)         |
| <b>Net cash generated from operating activities</b>             | <b>33,051</b>   | <b>15,906</b>   | <b>50,526</b>   | <b>40,204</b>   |
| <b>Investing activities</b>                                     |                 |                 |                 |                 |
| Purchase of plant and equipment                                 | (6,507)         | (14,878)        | (17,518)        | (50,093)        |
| Proceeds from disposal of plant and equipment                   | 8,677           | 6,268           | 10,479          | 8,272           |
| Proceeds from government grants                                 | 4,061           | -               | 6,061           | -               |
| Interest received                                               | 573             | 414             | 1,251           | 835             |
| <b>Net cash generated from/(used in) investing activities</b>   | <b>6,804</b>    | <b>(8,196)</b>  | <b>273</b>      | <b>(40,986)</b> |
| <b>Financing activities</b>                                     |                 |                 |                 |                 |
| Payment of Dividend                                             | (5,859)         | (5,659)         | (5,859)         | (5,659)         |
| Interest paid                                                   | (13,715)        | (12,960)        | (27,041)        | (25,641)        |
| Cash deposits pledged                                           | (86,340)        | (76,000)        | (254,369)       | (210,000)       |
| Pledged cash deposit being released                             | 96,989          | 40,000          | 186,989         | 85,000          |
| Proceeds from interest-bearing loans from a Director            | 9,864           | -               | 9,864           | -               |
| Repayment of interest-bearing loans and borrowings              | (253,000)       | (245,400)       | (656,000)       | (583,400)       |
| Proceeds from interest-bearing loans and borrowings             | 197,500         | 280,000         | 689,500         | 751,000         |
| <b>Net cash (used in) / generated from financing activities</b> | <b>(54,561)</b> | <b>(20,019)</b> | <b>(56,916)</b> | <b>11,300</b>   |
| <b>Net (decrease) / increase in cash and bank balances</b>      | <b>(14,706)</b> | <b>(12,309)</b> | <b>(6,117)</b>  | <b>10,518</b>   |
| <b>Cash and bank balances at beginning of period</b>            | <b>163,761</b>  | <b>104,746</b>  | <b>155,172</b>  | <b>81,919</b>   |
| <b>Cash and bank balances at end of period</b>                  | <b>149,055</b>  | <b>92,437</b>   | <b>149,055</b>  | <b>92,437</b>   |

- 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 <sup>#</sup> | 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 |
| Total comprehensive profit for the period | -                                         | -                               | 39,743           | 39,743  |
| Payment of Dividend                       | -                                         | -                               | (5,859)          | (5,859) |
| Balance as at 30 June 2017                | 308,723                                   | 91,380                          | (235,889)        | 164,214 |

|                                         | ← Attributable to owners of the company → |                                 |                  |          |
|-----------------------------------------|-------------------------------------------|---------------------------------|------------------|----------|
|                                         | Share Capital                             | Statutory Reserves <sup>#</sup> | 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   |

## COMPANY

|                                         | <b>Share Capital</b> | <b>Accumulated Profits</b> | <b>Total</b> |
|-----------------------------------------|----------------------|----------------------------|--------------|
|                                         | 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      |
| Total comprehensive loss for the period | -                    | (2,127)                    | (2,127)      |
| Payment of Dividend                     | -                    | (5,859)                    | (5,859)      |
| Balance as at 30 June 2017              | 308,723              | 59,100                     | 367,823      |

|                                         | <b>Share Capital</b> | <b>Accumulated Profits</b> | <b>Total</b> |
|-----------------------------------------|----------------------|----------------------------|--------------|
|                                         | 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      |

# 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 2017. In addition, there were no outstanding convertibles or treasury shares as at 30 June 2017 and 30 June 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     |             |
|-----------------|-------------|-------------|
|                 | 30-Jun-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 6-month period ended 30 June 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

|                                                                       | 2Q2017      | 2Q2016      | HY2017      | HY2016      |
|-----------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                       | RMB (cents) | RMB (cents) | RMB (cents) | RMB (cents) |
| Earnings/(loss) per share                                             |             |             |             |             |
| (a) Based on weighted average number of ordinary shares in issue; and | 6.7         | (2.2)       | 6.0         | (4.6)       |
| Weighted average number of shares in issue                            | 594,000,000 | 594,000,000 | 594,000,000 | 594,000,000 |
| (b) On a fully diluted basis                                          | 6.7         | (2.2)       | 6.0         | (4.6)       |

- 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-2017    | 31-Dec-2016    | 30-Jun-2017    | 31-Dec-2016    |
| Net asset value per ordinary share | RMB 27.6 cents | RMB 22.7 cents | RMB 61.9 cents | RMB 63.6 cents |

#### 30-Jun-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 164,214,000 and the Company's net asset value as at the end of the period of RMB 367,823,000 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. 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

**2QFY17 versus 2QFY16**

| Revenue       |         |       |         |       |         |
|---------------|---------|-------|---------|-------|---------|
|               | 2QFY17  |       | 2QFY16  |       | Change  |
|               | RMB'000 | %     | RMB'000 | %     | %       |
| Corn refining | 507,682 | 99.8  | 425,887 | 99.0  | 19.2    |
| Animal feeds  | -       | -     | 1,248   | 0.3   | (100.0) |
| Others        | 919     | 0.2   | 3,045   | 0.7   | (69.8)  |
| Total         | 508,601 | 100.0 | 430,180 | 100.0 | 18.2    |

**1HFY17 versus 1HFY16**

| Revenue       |         |       |         |       |         |
|---------------|---------|-------|---------|-------|---------|
|               | 1HFY17  |       | 1HFY16  |       | Change  |
|               | RMB'000 | %     | RMB'000 | %     | %       |
| Corn refining | 995,080 | 99.9  | 861,251 | 98.5  | 15.5    |
| Animal feeds  | -       | -     | 9,603   | 1.1   | (100.0) |
| Others        | 1,063   | 0.1   | 3,875   | 0.4   | (72.6)  |
| Total         | 996,143 | 100.0 | 874,729 | 100.0 | 13.9    |

The Group's revenue for 2QFY17 increased by 18.2% from RMB 430.2 million in 2QFY16 to RMB 508.6 million in 2QFY17 while revenue for the six-month period ("1HFY17") increased by 13.9% year-on-year ("y-o-y") from RMB 874.7 million to RMB 996.1 million. This was mainly due to the increase in sales volume of our corn refining segment, which was partially offset by the decrease in selling price.

For 2QFY17, sales volume for the corn refining segment increased from 215K ("K"=1,000) tonnes to 266K tonnes or about 23.5% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products by 22.9% and 23.7% respectively. For 1HFY17, sales volume for the corn refining segment increased by 22.1% y-o-y from 419K tonnes to 512K tonnes. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products by 17.8% and 32.6% respectively.

For 2QFY17, the weighted average price of the Group's corn refining products decreased by 1.8% y-o-y due to stiff competition. The decrease was mainly attributable to the decreases in average prices of corn sweeteners and by-products by 2.7% and 0.8% respectively. The weighted average price of the Group's corn refining products for 1HFY17 decreased by 2.7% y-o-y. This decrease was attributable to the decrease in prices of corn sweeteners by 4.8%, which was partially offset by the increase in prices of by-products by 7.9%.

The Group's export revenue in 1HFY17 increased by 3.1% as compared to 1HFY16. However, the export revenue as a percentage of total revenue decreased from 3.8% in 1HFY16 to 3.5% in 1HFY17. The increase in export revenue 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**

#### **2QFY17 versus 2QFY16**

|               | 2QFY17  |      | 2QFY16  |        |
|---------------|---------|------|---------|--------|
|               | RMB'000 | %    | RMB'000 | %      |
| Corn refining | 43,858  | 8.6  | 50,242  | 11.8   |
| Animal feeds  | -       | -    | (251)   | (20.2) |
| Others        | 329     | 35.8 | (5)     | (0.2)  |
| Total         | 44,187  | 8.7  | 49,986  | 11.6   |

#### **1HFY17 versus 1HFY16**

|               | 1HFY17  |      | 1HFY16  |        |
|---------------|---------|------|---------|--------|
|               | RMB'000 | %    | RMB'000 | %      |
| Corn refining | 107,029 | 10.8 | 97,452  | 11.3   |
| Animal feeds  | -       | -    | (1,238) | (12.9) |
| Others        | 856     | 80.6 | 338     | 8.7    |
| Total         | 107,885 | 10.8 | 96,552  | 11.0   |

For 2QFY17, gross profit decreased by 11.6% or about RMB 5.8 million y-o-y, mainly attributable to the decrease in gross profit of our corn refining segment by 12.7% or about RMB 6.4 million. Revenue increased by 18.2% y-o-y, while the cost of sales for the corresponding period increased by 22.2%. Group gross profit margin decreased by 2.9 percentage points y-o-y to 8.7%. This was mainly due to the decrease in selling prices of our corn refining products and the substantial increase in the cost of coal used by the coal-based electricity and steam power generation plants. The corn raw material prices decreased slightly by 0.6% compared to 2QFY16.

For similar reason, group gross profit margin in 1HFY17 decreased by 0.2 percentage points y-o-y to 10.8%. Gross profit increased by 11.7% or about RMB 11.3 million y-o-y, mainly attributable to the increase in gross profit of our corn refining segment by 9.8% or about RMB 9.6 million due mainly to the increase in sales volume. Group revenue increased by 13.9% y-o-y, while the cost of sales for the corresponding period increased by 14.1%.

The Group has stopped the production of the animal feed products since 1QFY16.

The others segment including our Hongzhou subsidiary made a gross profit of RMB 0.9 million in 1HFY17, compared with RMB 0.3 million in 1HFY16.

### **Other operating income**

Other operating income increased by RMB 61.7 million from RMB 12.2 million in 1HFY16 to RMB 73.9 million in 1HFY17 due mainly to the reversal of impairment of property, plant and equipment of our Shandong Subsidiary in May 2017. In addition, the government grants and subsidies increased by RMB 2.0 million, which was partially offset by the decrease in the gain on sales of steam by RMB 1.4 million.

### **Operating expenses**

#### **- Selling and distribution expenses**

Selling and distribution expenses increased by 35.4% from RMB 49.5 million in 1HFY16 to RMB 67.0 million in 1HFY17. 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 10.6% from RMB 55.1 million in 1HFY16 to RMB 49.2 million in 1HFY17. This was mainly attributable to the decreases in depreciation charge and other manufacturing overheads charged to operating expenses as a result of production halts of certain products and the decrease in staff costs (including salary, social insurance payment and other welfare).

#### **- Other operating expenses**

Other operating expenses decreased slightly by about RMB 0.3 million from RMB 3.0 million in 1HFY16 to RMB 2.6 million in 1HFY17. This was due mainly to the decreases in payment of accrued income tax for prior year by our Shaanxi subsidiary and Henan subsidiary.

### **Finance expenses**

The Group's finance expenses increased by 5.5% from RMB 25.6 million in 1HFY16 to RMB 27.0 million in 1HFY17. 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 of the net profit generated from our Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, the effective tax rate in 1HFY17 was higher than the statutory tax rate.

## Total comprehensive income

The Group's total comprehensive income increased by 230.0% from a loss of RMB 27.2 million in 1HFY16 to a profit of RMB 35.3 million in 1HFY17 due mainly to a 11.7% y-o-y increase in gross profit or about RMB 11.3 million, the increase of RMB 61.7 million in other operating income due mainly to the reversal of impairment of property, plant and equipment, and the decrease of RMB 5.8 million in administrative expenses. These were partially offset by the increase of RMB 17.5 million in selling and distribution expenses.

## b) Statement of Financial Position

| <b><u>GROUP</u></b>            | <b><u>1HFY17</u></b> | <b><u>FY16</u></b> |
|--------------------------------|----------------------|--------------------|
| Inventory turnover days        | 37                   | 40                 |
| Trade receivable turnover days | 37                   | 35                 |
| Trade payable turnover days    | 49                   | 47                 |
| Debt equity ratio              | 6.17                 | 7.20               |

### (i) Current assets

Current assets increased by RMB 51.9 million from RMB 779.5 million as at 31 December 2016 to RMB 831.4 million as at 30 June 2017, due mainly to the increase in cash and cash equivalents of RMB 61.3 million, the increase in trade receivables of RMB 33.0 million and the increase in inventories of RMB 7.2 million, which were partially offset by the decrease in other receivables, deposits and prepayments (including the amount owing by related parties) of RMB 50.5 million (due mainly to the full collection of the compensation for relocation of our Shandong Subsidiary owed by the local government). Trade receivable turnover days increased slightly from 35 days in FY16 to 37 days in 1HFY17. Inventory turnover days was lower at 37 days in 1HFY17 as compared with 40 days for FY16.

### (ii) Non-current assets

The increase in non-current assets of RMB 33.8 million was mainly due to the reversal of impairment of property, plant and equipment of RMB 67.4 million and the capital expenditure of RMB 17.5 million, which were partially offset by the depreciation of RMB 40.4 million and the disposal of plant and equipment of RMB 10.7 million.

(iii) Current liabilities

Current liabilities increased by RMB 70.5 million from RMB 670.7 million as at 31 December 2016 to RMB 741.2 million as at 30 June 2017, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 60.5 million (as at 30 June 2017, the pledged cash deposits increased by RMB 67.4 million to RMB 213.4 million as compared to 31 December 2016), the increase in trade payables of RMB 7.7 million and the increase in other payables and accruals of RMB 2.7 million. Trade payable turnover days was higher at 49 days, compared with 47 days for FY16.

The Group's debt equity ratio was 6.17 times as at 30 June 2017 compared with 7.20 times as at 31 December 2016, and the net debt equity ratio was 3.96 times as at 30 June 2017 (31 December 2016: 4.96 times). This was due to the increase of RMB 29.5 million in total equity, and the increase of RMB 43.4 million in total interest-bearing loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 14.3 million due to the decrease of RMB 17.1 million in long-term interest-bearing loans, partially offset by the increase of RMB 2.9 million in deferred income (mainly due to increase in government grants and subsidies relating to low-energy environmental protection equipment and the amortization of government grants).

(v) Shareholders' equity

As at 30 June 2017, shareholders' equity was higher than that as at 31 December 2016 mainly due to the net profit of RMB 35.3 million generated in 1HFY17.

**c) Cash Flows**

For 1HFY17, the Group experienced net operating cash inflow of RMB 50.5 million. This comprised operating profit before changes in working capital of RMB 31.5 million adjusted for decrease in working capital of RMB 20.7 million and income tax paid of RMB 1.6 million.

The change in working capital was mainly the result of;

- i) a decrease in other receivables, deposits and prepayments of RMB 50.5 million (including amount owing by related parties);
- ii) an increase in trade payables of RMB 7.7 million; and
- iii) an increase in other payables and accruals of RMB 2.7 million,

which were partially offset by

- iv) an increase in inventory of RMB 7.2 million; and
- v) an increase in trade receivables of RMB 33.0 million.

Net cash generated from investing activities amounted to RMB 0.3 million in 1HFY17. This was mainly due to the cash inflows arising from proceeds from the disposal of plant and equipment of RMB 10.5 million, proceeds from government grants for low-energy environmental protection equipment of RMB 6.1 million, and the interest income of RMB 1.3 million. These cash inflows were partially offset by the construction of property, plant and equipment and purchase of packaging containers for our finished products.

Net cash outflow used in financing activities was RMB 56.9 million, mainly due to the increase in pledged cash deposits of RMB 67.4 million, and payment of interest expense and dividend of RMB 27.0 million and RMB 5.9 million respectively. These cash outflows were partially offset by the net increase in total bank loans of RMB 33.5 million and the increase in interest-bearing loans from a Director of RMB 9.9 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 2QFY17 are consistent with the commentary under section 10 of the announcement dated 15 May 2017 on the unaudited financial statements for the first quarter ended 31 March 2017.

**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 overall economic recovery momentum remained resilient in 2QFY17, supported by infrastructural developments arising from the Belt and Road initiative launched by the central government. However, the Group expects the market conditions in the coming months to be challenging due to stiff competition among the corn sweetener players in the industry caused by the downward pressure on the selling prices of corn refining products. Furthermore, the higher electricity cost and average corn raw material prices are expected to increase the production cost and hence affect the profit margins of all our products vis-à-vis the overall performance of the Group.

In view of the slowing down of the economy which affected the local businesses in Xinjiang, the Group has decided to delay its investment and expansion plan in Xinjiang until the situation improves.

## 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 2017.

## 13 Summary of Interested Person Transactions for the financial period ended 30 June 2017

|                                                  | 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          |
|                                                  | 30/06/2017                                                                                                                                  | 30/06/2016       |
| Rental expenses to Shandong Luzhou               | -                                                                                                                                           | 1,550            |
| Rental expenses to Shaanxi Luzhou                | 1,050                                                                                                                                       | 1,050            |
| Interest payable for loan granted by Niu Ji Xing | 26                                                                                                                                          | -                |

Shandong Luzhou – Shandong Luzhou Food Group., Ltd.

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

Mr Niu Jiu Xing (Executive Chairman and CEO of the Company) has granted a loan of SGD2.0 million to the Group at the interest rate of 1.88% per annum.

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 2017 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  
14 August 2017