



# **LUZHOU BIO-CHEM TECHNOLOGY LIMITED**

(Company Registration Number: 200412523N)

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**Third Quarter and  
Nine Months Results  
Announcement for the Period  
Ended 30 September 2015**

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**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED  
30 SEPTEMBER 2015**

**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>3QFY15</b>	<b>3QFY14</b>	<b>Change</b>	<b>9MFY15</b>	<b>9MFY14</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	655,823	441,633	48.5	1,910,751	1,612,070	18.5
Cost of sales	(584,580)	(420,971)	38.9	(1,718,683)	(1,537,873)	11.8
<b>Gross profit</b>	<b>71,243</b>	<b>20,662</b>	<b>244.8</b>	<b>192,068</b>	<b>74,197</b>	<b>158.9</b>
Other operating income	8,884	5,676	56.5	29,917	23,708	26.2
Selling and distribution expenses	(29,640)	(23,420)	26.6	(80,431)	(82,917)	(3.0)
Administrative expenses	(28,084)	(31,166)	(9.9)	(67,780)	(97,340)	(30.4)
Other operating expenses	(37)	(393)	(90.6)	(440)	(141,253)	(99.7)
Finance expenses	(15,241)	(15,415)	(1.1)	(47,575)	(43,947)	8.3
<b>Profit/(loss) before taxation</b>	<b>7,125</b>	<b>(44,056)</b>	<b>116.2</b>	<b>25,759</b>	<b>(267,552)</b>	<b>109.6</b>
Taxation	(1,942)	(9)	21,477.8	(5,335)	(9)	59,177.8
<b>Profit/(loss) for the period and total comprehensive income/(loss)</b>	<b>5,183</b>	<b>(44,065)</b>	<b>111.8</b>	<b>20,424</b>	<b>(267,561)</b>	<b>107.6</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	5,183	(44,065)	111.8	20,424	(267,561)	107.6
Gross profit margin	10.9%	4.7%	131.9	10.1%	4.6%	119.6
Net profit /(loss) margin	0.8%	(10.0%)	108.0	1.1%	(16.6%)	106.6
Profit/(loss) per share (RMB cents)						
- basic	1.2	(11.2)	110.7	5.0	(67.6)	107.4
- diluted	1.2	(11.2)	110.7	5.0	(67.6)	107.4

## Notes to the Comprehensive Income Statement

	3QFY15	3QFY14	Change	9MFY15	9MFY14	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit/(loss) before tax is arrived at after charging/ (crediting):						
Interest income	(1,914)	(132)	1,350.0	(2,314)	(334)	592.8
Interest expense on borrowings	15,241	15,415	(1.1)	47,575	43,947	8.3
Depreciation of plant and equipment	19,716	20,753	(5.0)	59,157	69,805	(15.3)
Amortisation of land use rights	267	385	(30.6)	801	1,155	(30.6)
Amortisation of government grants	(1,520)	(1,841)	(17.4)	(4,561)	(5,522)	(17.4)
Foreign exchange (gain)/loss, net	(914)	149	713.4	(848)	258	428.7
(Gain)/loss on disposal of plant and equipment	(465)	(15)	3,000.0	(502)	156	421.8
Impairment of property, plant and equipment	-	-	-	-	138,910	-
Reversal of allowance for doubtful trade receivables	-	-	-	-	(134)	-
Reversal of allowance for slow-moving inventory	-	(1,139)	-	(22)	(2,616)	(99.2)

**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-2015	31-Dec-2014	30-Sep-2015	31-Dec-2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS:-</b>				
<b>Current assets</b>				
Inventories	178,475	238,894	-	-
Trade receivables	193,262	179,354	-	-
Other receivables, deposits and prepayments	48,987	28,272	10,786	10,786
Amount owing by a related parties	775	-	-	-
Income tax prepaid	-	886	-	-
Cash and cash equivalents <sup>(1)</sup>	311,794	54,618	18,150	5,334
	<u>733,293</u>	<u>502,024</u>	<u>28,936</u>	<u>16,120</u>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	647,229	691,967	-	-
Land use rights	46,033	46,834	-	-
	<u>693,262</u>	<u>738,801</u>	<u>372,654</u>	<u>372,654</u>
<b>Total assets</b>	<u>1,426,555</u>	<u>1,240,825</u>	<u>401,590</u>	<u>388,774</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	203,721	217,420	-	-
Other payables and accruals	77,779	102,123	1,152	820
Amount owing to related parties	525	825	7,944	6,606
Interest-bearing loans and borrowings	372,500	224,000	-	-
Deferred income	6,080	6,080	-	-
Income tax payable	3,648	-	-	-
	<u>664,253</u>	<u>550,448</u>	<u>9,096</u>	<u>7,426</u>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	607,400	567,400	-	-
Interest-free loan from a Director	-	9,841	-	9,841
Deferred income	35,766	40,327	-	-
Deferred taxation	589	589	-	-
	<u>643,755</u>	<u>618,157</u>	<u>-</u>	<u>9,841</u>
<b>Total liabilities</b>	<u>1,308,008</u>	<u>1,168,605</u>	<u>9,096</u>	<u>17,267</u>
<b>NET ASSETS</b>	<u>118,547</u>	<u>72,220</u>	<u>392,494</u>	<u>371,507</u>
<b>EQUITY</b>				
Share capital	308,723	282,820	308,723	282,820
Statutory reserves	90,893	90,893	-	-
Accumulated (loss)/profits	(281,069)	(301,493)	83,771	88,687
<b>TOTAL EQUITY</b>	<u>118,547</u>	<u>72,220</u>	<u>392,494</u>	<u>371,507</u>

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

	<b>30- Sep-2015</b>	<b>31-Dec-2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cash and bank balances	176,794	50,618
Pledged cash deposits	135,000	4,000
	<b>311,794</b>	<b>54,618</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-Sep-2015</b>		<b>As at 31-Dec-2014</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>
327,500	45,000	45,000	179,000

**Amount repayable after one year**

<b>As at 30-Sep-2015</b>		<b>As at 31-Dec-2014</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>
279,000	328,400	259,000	318,241

**Details of any collateral**

As at 30 September 2015, 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>3QFY15</b>	<b>3QFY14</b>	<b>9MFY15</b>	<b>9MFY14</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>				
Profit/(loss) before taxation	7,125	(44,056)	25,759	(267,552)
Adjustments for:-				
Depreciation of plant and equipment	19,716	20,753	59,157	69,805
Amortisation of land use rights	267	385	801	1,155
Amortisation of government grants	(1,520)	(1,841)	(4,561)	(5,522)
(Gain)/loss on disposal of plant and equipment	(465)	(15)	(502)	156
Interest expense	15,241	15,415	47,575	43,947
Interest income	(1,914)	(132)	(2,314)	(334)
Foreign exchange gain resulting from repayment of interest-free loan from a director	(815)	-	(815)	-
Impairment of plant and equipment	-	-	-	138,910
Reversal of allowance for slow-moving inventories	-	(1,139)	(22)	(2,616)
Reversal of allowance for doubtful trade receivables	-	-	-	(134)
<b>Operating profit/(loss) before working capital changes</b>	<b>37,635</b>	<b>(10,630)</b>	<b>125,078</b>	<b>(22,185)</b>
Changes in working capital:				
Inventories	101,621	35,713	60,441	120,492
Trade receivables	50,396	29,390	(13,908)	16,589
Other receivables, deposits and prepayments	(1,437)	51,524	(20,682)	50,556
Amount owing by related parties	742	775	(808)	(775)
Trade payables	(138,909)	(28,653)	(13,699)	(54,788)
Other payables and accruals	(9,300)	(11,133)	(24,746)	(20,127)
Amount owing to related parties	(525)	588	(300)	(1,315)
<b>Cash generated from operations</b>	<b>40,223</b>	<b>67,574</b>	<b>111,376</b>	<b>88,447</b>
Income taxes paid	(801)	-	(801)	(1,351)
<b>Net cash generated from operating activities</b>	<b>39,422</b>	<b>67,574</b>	<b>110,575</b>	<b>87,096</b>
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment	(9,679)	(6,889)	(22,119)	(21,695)
Proceeds from disposal of plant and equipment	5,040	1,355	8,202	7,886
Interest income received	1,914	132	2,314	334
<b>Net cash used in investing activities</b>	<b>(2,725)</b>	<b>(5,402)</b>	<b>(11,603)</b>	<b>(13,475)</b>

**Cash flows from financing activities**

Proceeds from issue of shares	26,806	-	26,806	-
Listing expenses	(501)	-	(501)	-
Refund of unclaimed dividend	-	-	-	1
Interest expense paid	(15,241)	(15,415)	(47,575)	(43,947)
Cash deposits pledged	(30,000)	(4,000)	(253,000)	(18,000)
Pledged cash deposit being released	118,000	4,000	122,000	4,450
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)	(1,461)
Repayment of interest-bearing loans and borrowings	(327,200)	(265,000)	(872,900)	(834,350)
Proceeds from interest-bearing loans and borrowings	180,000	209,000	1,061,400	856,400
<b>Net cash (used in) / generated from financing activities</b>	<b>(57,162)</b>	<b>(71,415)</b>	<b>27,204</b>	<b>(36,907)</b>
<b>Net (decrease) / increase in cash and bank balances</b>	<b>(20,465)</b>	<b>(9,243)</b>	<b>126,176</b>	<b>36,714</b>
<b>Cash and bank balances at beginning of period</b>	<b>197,259</b>	<b>112,202</b>	<b>50,618</b>	<b>66,245</b>
<b>Cash and bank balances at end of period</b>	<b>176,794</b>	<b>102,959</b>	<b>176,794</b>	<b>102,959</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 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

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves <sup>#</sup>	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2014	282,820	90,893	38,289	412,002
Total comprehensive loss for the period	-	-	(42,785)	(42,785)
Balance as at 31 March 2014	282,820	90,893	(4,496)	369,217
Total comprehensive loss for the period	-	-	(180,711)	(180,711)
Refund of unclaimed dividend	-	-	1	1
Balance as at 30 June 2014	282,820	90,893	(185,206)	(188,507)
Total comprehensive loss for the period	-	-	(44,065)	(44,065)
Balance as at 30 September 2014	282,820	90,893	(229,271)	144,442



**COMPANY**

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

	<b>Share Capital</b>	<b>Accumulated Profits</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2014	282,820	78,146	360,966
Total comprehensive income for the period	-	17,805	17,805
Balance as at 31 March 2014	282,820	95,951	378,771
Total comprehensive loss for the period	-	(2,806)	(2,806)
Refund of unclaimed dividend	-	1	1
Balance as at 30 June 2014	282,820	93,146	375,966
Total comprehensive loss for the period	-	(2,116)	(2,116)
Balance as at 30 September 2014	282,820	91,030	373,850

# 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**

The Company issued 198,000,000 new ordinary shares at S\$0.030 each on 18 September 2015 pursuant to a Rights Issue.

The details of changes in the Company's share capital were as follows:

<b>Issued and fully paid</b>	<b>No of ordinary shares</b>	<b>RMB'000</b>
As at 30 June 2015	396,000,000	282,820
Issue of new shares pursuant to the Rights Issue	198,000,000	26,806
Placement expenses	-	(903)
<b>Balance as at 30 September 2015</b>	<b>594,000,000</b>	<b>308,723</b>

There were no outstanding convertibles or treasury shares as at 30 September 2015 and 30 September 2014.

- 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.**

	<b>Company</b>	
	<b>30-Sep-2015</b>	<b>31-Dec-2014</b>
Ordinary shares	594,000,000	396,000,000

- 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 2015. 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 2015. 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 FY2014.

**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**

	<b>3QFY15</b>	<b>3QFY14</b>	<b>9MFY15</b>	<b>9MFY14</b>
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
Profit/(loss) per share				
(a) Based on weighted average number of ordinary shares in issue; and	1.2	(11.2)	5.0	(67.6)
Weighted average number of shares in issue	422,400,000	396,000,000	404,800,000	396,000,000
(b) On a fully diluted basis	1.2	(11.2)	5.0	(67.6)

**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**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-2015</b>	<b>31-Dec-2014</b>	<b>30-Sep-2015</b>	<b>31-Dec-2014</b>
Net asset value per ordinary share	RMB 20.0 cents	RMB 18.2 cents	RMB 66.1 cents	RMB 93.8 cents

**30-Sep-2015**

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 118,547,000 and the Company's net asset value as at the end of the period of RMB 392,494,000 divided by the share capital of 594,000,000 ordinary shares.

### 31-Dec-2014

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 72,220,000 and the Company's net asset value as at the end of the year of RMB 371,507,000 divided by the share capital of 396,000,000 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

##### 3QFY15 versus 3QFY14

Revenue	3QFY15		3QFY14		Change
	RMB'000	%	RMB'000	%	%
Corn refining	615,532	93.8	405,292	91.8	51.9
Animal feeds	39,704	6.1	33,647	7.6	18.0
Others	587	0.1	2,694	0.6	(78.2)
Total	<u>655,823</u>	<u>100.0</u>	<u>441,633</u>	<u>100.0</u>	48.5

##### 9MFY15 versus 9MFY14

Revenue	9MFY15		9MFY14		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,803,878	94.5	1,421,848	88.2	26.9
Animal feeds	104,098	5.4	180,916	11.2	(42.5)
Others	2,775	0.1	9,306	0.6	(70.2)
Total	<u>1,910,751</u>	<u>100.0</u>	<u>1,612,070</u>	<u>100.0</u>	18.5

The Group's revenue for 3QFY15 increased by 48.5% from RMB 441.6 million in 3QFY14 to RMB 655.8 million in 3QFY15, while revenue for the nine-month period ("9MFY15") increased by 18.5% year-on-year ("y-o-y") from RMB 1.6 billion to RMB 1.9 billion. This was due mainly to the increase in the sales volume vis-à-vis sales revenue of our corn refining segment and was offset by the decrease in revenue of our animal feeds segment because of decrease in the sales volume and the selling price.

For 3QFY15, sales volume for corn refining segment increased from 155K ("K"=1,000) tonnes to 262K tonnes or about 68.4% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners, corn starch and by-products of about 56.0%, 452.2% and 91.9% respectively. For 9MFY15, sales volume for

corn refining segment increased from 581K tonnes to 752K tonnes or by about 29.3% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 27.7% and 37.8% respectively, while the sales volume of corn starch decreased by 17.6% y-o-y.

For 3QFY15, the weighted average selling price of the Group's corn refining products decreased by 10.3% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners, corn starch and by-products of about 6.7%, 12.2% and 18.3% respectively. The weighted average selling price of the Group's corn refining products for 9MFY15 decreased by 3.9% y-o-y. This decrease was attributable to the decrease in price of by-products by about 15.5%, while the prices of corn sweeteners and corn starch increased slightly by 0.5% and 1.2% respectively.

The Group's export revenue in 9MFY15 decreased by 55.8% as compared to 9MFY14. The export revenue as a percentage of total revenue decreased from 5.7% in 9MFY14 to 2.1% in 9MFY15. This was because of the uncompetitive selling price of our corn sweetener products as compared to that in the overseas market.

### Gross profit and gross profit margin

#### 3QFY15 versus 3QFY14

	3QFY15		3QFY14	
	RMB'000	%	RMB'000	%
Corn refining	69,941	11.4	21,722	5.4
Animal feeds	834	2.1	528	1.6
Others	468	80.0	(1,588)	(59.0)
Total	<u>71,243</u>	10.9	<u>20,662</u>	4.7

#### 9MFY15 versus 9MFY14

	9MFY15		9MFY14	
	RMB'000	%	RMB'000	%
Corn refining	189,923	10.5	74,552	5.2
Animal feeds	1,139	1.1	1,402	0.8
Others	1,006	36.3	(1,757)	(18.9)
Total	<u>192,068</u>	10.1	<u>74,197</u>	4.6

Gross profit for 3QFY15 increased by 244.8% y-o-y to RMB 71.2 million due mainly to the increase in sales volume of our corn refining products and the lower raw corn materials price. Revenue increased by 48.5% y-o-y, while the cost of sales for the corresponding period increased by 38.9%.

For the same reason, gross profit for 9MFY15 increased by 158.9% y-o-y to RMB 192.1 million. Group revenue for 9MFY15 increased by 18.5% y-o-y, while the cost of sales for the corresponding period increased by 11.8%.

The Group's animal feeds segment made a gross profit of RMB 1.1 million in 9MFY15, decreasing by 18.8% compared with RMB 1.4 million in 9MFY14. This was mainly due to the decreases in both sales volume and selling price by 37.7% and 7.7% y-o-y respectively.

The Group's others segment made a gross profit of RMB 1.0 million in 9MFY15 compared with a gross loss of RMB 1.8 million in 9MFY14, due mainly to the increase of RMB 2.1 million in gross profit of our Hongzhou company and the decrease of RMB 0.6 million in gross loss of our amino acids.

### **Other operating income**

Other operating income increased by 26.2% from RMB 23.7 million in 9MFY14 to RMB 29.9 million in 9MFY15 due largely to the increases in insurance claim compensation, penalties imposed on supplier, interest income from banks, foreign exchange gain, stock-taking surplus and gain on sales of steam. These increases were partially offset by the decreases in government grant and subsidies and gain on sale of consumables and waste materials.

### **Operating expenses**

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

Selling and distribution expenses decreased by 3.0% from RMB 82.9 million in 9MFY14 to RMB 80.4 million in 9MFY15. This is mainly attributable to the decreases in staff costs, rental expenses, travel expenses and depreciation cost, which were offset partially by the increase in transportation costs resulting from the higher sales volume.

#### **- Administrative expenses**

The Group's administrative expenses decreased by 30.4% from RMB 97.3 million in 9MFY14 to RMB 67.8 million in 9MFY15. This was mainly due to the decreases in depreciation charge, staff costs (including the salaries, social security costs and welfare expenses) and other costs resulting from production halts of certain products. In addition, traveling expenses, entertainment expenses and office supplies expenses were generally reduced.

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

Other operating expenses decreased by 99.7% or RMB 140.8 million from RMB 141.3 million in 9MFY14 to RMB 0.4 million in 9MFY15. This was due mainly to the impairment of property, plant and equipment of about RMB 138.9 million in 9MFY14 (9MFY15: nil) and the decrease in product quality compensations.

### **Finance costs**

The Group's finance costs increased by 8.3% or about RMB 3.6 million from RMB 43.9 million in 9MFY14 to RMB 47.6 million in 9MFY15. This was mainly attributable to the increase in interest-bearing loans and borrowings and the reduction in banks' loan interest rates.

## Taxation

The increase in income tax expense was due to the 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 9MFY15 was higher than the statutory tax rate.

## Total comprehensive income

The Group's total comprehensive income increased by 107.6% from a loss of RMB 267.6 million in 9MFY14 to a profit of RMB 20.4 million in 9MFY15 due mainly to a 158.9% y-o-y increase in gross profit or about RMB 117.9 million and the decrease in other operating expenses of about RMB 140.8 million, as well as the decreases in administrative expenses and selling and distribution expenses of about RMB 2.5 million and RMB 29.6 million respectively.

## b) Statement of Financial Position

<u>GROUP</u>	<u>9MFY15</u>	<u>FY14</u>
Inventory turnover days	33	47
Trade receivable turnover days	27	33
Trade payable turnover days	34	40
Debt equity ratio	8.27	10.96

### (i) Current assets

Current assets increased by RMB 231.3 million from RMB 502.0 million as at 31 December 2014 to RMB 733.3 million as at 30 September 2015, due mainly to the increase in trade receivables of RMB 13.9 million, the increase in other receivables, deposits and prepayments of RMB 20.7 million (mainly for prepayments to suppliers for purchasing materials), and the increase in cash and cash equivalents of RMB 257.2 million, which were partially offset by the decrease in inventories of RMB 60.4 million. Trade receivable turnover days decreased from 33 days in FY14 to 27 days in 9MFY15. Inventory turnover days was lower at 33 days in 9MFY15 as compared with 47 days for FY14.

### (ii) Non-current assets

The decrease of RMB 45.5 million in non-current assets was the net effect of capital expenditure and depreciation of property, plant and equipment.

### (iii) Current liabilities

Current liabilities increased by RMB 113.8 million from RMB 550.4 million as at 31 December 2014 to RMB 664.3 million as at 30 September 2015, due mainly to the increase in short-term interest-bearing loans and borrowings of RMB 148.5 million (including the bank note payable of about RMB 270.0 million which is secured

by a pledge of cash deposits of about RMB 135.0 million) and the increase in income tax payable of RMB 3.6 million. These increases were partially offset by the decrease in trade payables of RMB 13.7 million and the decrease in other payables and accruals of RMB 24.3 million. Trade payable turnover days was lower at 34 days, compared with 40 days for FY14.

The Group's debt equity ratio was 8.27 times as at end of 9MFY15 compared with 10.96 times as at end of FY14. This was due to the increase of RMB 46.3 million in total equity resulting from the additional share capital through the Rights Issue and the net profit generated from 9MFY15, partially offset by the increase of RMB 188.5 million in total interest-bearing loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 25.6 million due to the increase of RMB 40.0 million in long-term interest-bearing loans, which was partially offset by the repayment of RMB 9.8 million in interest-free loan from a director and the decrease of RMB 4.6 million in deferred income.

(v) Shareholders' equity

As at 30 September 2015, shareholders' equity was higher than that as at 31 December 2014 due to the additional share capital of RMB 25.9 million pursuant to the Rights Issue and the net profit of RMB 20.4 million generated in 9MFY15.

**c) Cash Flows**

For 9MFY15, the Group experienced net operating cash inflow of RMB 110.6 million. This comprised operating profit before changes in working capital of RMB 125.1 million adjusted for changes in working capital of RMB 13.7 million and income taxes paid of RMB 0.8 million.

The increase in working capital was the result of mainly:

- i) an increase in trade receivables of RMB 13.9 million,
- ii) an increase in other receivables, deposits and prepayments of RMB 20.7 million,
- iii) an increase in amount owing by related parties of RMB 0.8 million,
- iv) a decrease in trade payables of RMB 13.7 million,
- v) a decrease in other payables and accruals of RMB 24.7 million, and
- vi) a decrease in amount owing to related parties of RMB 0.3 million,

which were offset by a decrease in inventory of RMB 60.4 million.

Net cash used in investing activities amounted to RMB 11.6 million in 9MFY15. This was mainly for the purchase and construction of plant and equipment and the containers for finished products. These cash outflows were partially mitigated by the cash inflows arising from proceeds from the disposal of plant and equipment and interest income of RMB 8.2 million and RMB 2.3 million respectively.



Net cash generated from financing activities was RMB 27.2 million in 9MFY15, mainly due to the net increase of bank loans amounting to RMB 188.5 million and the net proceeds from the Rights Issue of RMB 26.3 million, which were partially offset by payment of interest expense of RMB 47.6 million, repayment of interest-free loan from a director of RMB 9.0 million and the net increase in pledged cash deposits of RMB 131.0 million. The additional bank loans were mainly used to finance the working capital needs.

**USE OF RIGHTS ISSUE PROCEEDS AS AT 30 SEPTEMBER 2015**

S/No	Intended use	Amount (RMB'000)	Amount utilised (RMB'000)	Balance (RMB'000)
1	Repayment of the Shareholder's Loan <sup>(1)</sup>	9,026 (SGD 2 million)	(9,026) (SGD 2 million)	-
2	Repayment of bank borrowings <sup>(2)</sup>	13,538	(13,538)	-
3	General working capital <sup>(3)</sup>	3,339	(3,339)	-
4	Listing expenses <sup>(4)</sup>	903	(501)	402
	Total net proceeds	26,806	(26,404)	402

(1) The Shareholder's Loan in SGD was set-off against the subscription monies payable by the relevant shareholders.

(2) Loan repayment to Industrial and Commercial Bank of China Limited, Yishui Branch.

(3) Purchase of raw corn material.

(4) Fully paid in October 2015.

**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 3QFY15 are consistent with the commentary under section 10 of the announcement dated 14 August 2015 on the unaudited financial statements for the second quarter and half year ended 30 June 2015.

**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**

The softer pace of the Chinese economy is likely to impact the general sentiments of both consumers and producers in the mainland affecting both customer demand and price of goods. From the data we have collated on corn as well as corn sweetener products prices, we have observed that the average selling prices have generally trailed downwards for the past year. This trend will have a direct bearing on our business prospects as corn-refining accounts for the bulk of Group revenue. In view of the still fluid and evolving economic climate in China, we hold a cautious view on the overall business outlook for 2016 and will keep a close watch on how the macroeconomic situation unfolds and provide the necessary updates as they come on line.

**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 2015.

**13 Summary of Interested Person Transactions for the financial period ended 30 September 2015**

	<b>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)</b>	
	<b>Nine months ended</b>	<b>Nine months ended</b>
	<b>30/09/2015</b>	<b>30/09/2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Rental expenses to Shandong Luzhou	2,325	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 2015 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

**BY ORDER OF THE BOARD**

Vincent Lim Bock Hui  
Company Secretary  
Singapore  
13 November 2015