



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Second Quarter and
Half Year Results
Announcement for the Period
Ended 30 June 2015**



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

	2Q2015 RMB'000	2Q2014 RMB'000	Change %	HY2015 RMB'000	HY2014 RMB'000	Change %
Revenue	684,338	565,382	21.0	1,254,928	1,170,437	7.2
Cost of sales	(621,281)	(534,435)	16.3	(1,134,103)	(1,116,902)	1.5
Gross profit	63,057	30,947	103.8	120,825	53,535	125.7
Other operating income	8,853	6,108	44.9	21,033	18,032	16.6
Selling and distribution expenses	(29,307)	(30,657)	(4.4)	(50,791)	(59,497)	(14.6)
Administrative expenses	(17,067)	(32,311)	(47.2)	(39,696)	(66,174)	(40.0)
Other operating expenses	(85)	(140,202)	(99.9)	(403)	(140,860)	(99.7)
Finance expenses	(17,228)	(14,596)	18.0	(32,334)	(28,532)	13.3
Profit/(loss) before taxation	8,223	(180,711)	104.6	18,634	(223,496)	108.3
Taxation	(1,890)	-	-	(3,393)	-	-
Profit/(loss) for the period and total comprehensive income/(loss)	6,333	(180,711)	103.5	15,241	(223,496)	106.8
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	6,333	(180,711)	103.5	15,241	(223,496)	106.8
Gross profit margin	9.2%	5.5%	67.3	9.6%	4.6%	108.7
Net profit /(loss) margin	0.9%	(32.0%)	102.8	1.2%	(19.1%)	106.3
Profit/(loss) per share (RMB cents)						
- basic	1.6	(45.6)	103.5	3.8	(56.4)	106.7
- diluted	1.6	(45.6)	103.5	3.8	(56.4)	106.7

Notes to the Comprehensive Income Statement

	2Q2015	2Q2014	Change	HY2015	HY2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit/(loss) before tax is arrived at after charging/ (crediting):						
Interest income	(33)	(110)	(70.0)	(400)	(202)	98.0
Interest expense on borrowings	17,228	14,596	18.0	32,334	28,532	13.3
Depreciation of property, plant and equipment	19,903	22,771	(12.6)	39,441	49,052	(19.6)
Amortisation of land use rights	267	385	(30.6)	534	770	(30.6)
Amortisation of government grants	(1,520)	(1,841)	(17.4)	(3,041)	(3,681)	(17.4)
Foreign exchange loss/(gain), net	53	(63)	(184.1)	66	109	39.4
(Gain)/loss on disposal of plant and equipment	(126)	(194)	(35.1)	(37)	171	121.6
Impairment of property, plant and equipment	-	138,910	(100.0)	-	138,910	(100.0)
Reversal of allowance for doubtful trade receivables	-	(134)	(100.0)	-	(134)	(100.0)
Reversal of allowance for slow-moving inventory	-	(465)	(100.0)	(22)	(1,477)	(98.5)

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-2015	31-Dec-2014	30-Jun-2015	31-Dec-2014
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	280,096	238,894	-	-
Trade receivables	243,658	179,354	-	-
Other receivables, deposits and prepayments	47,517	28,272	10,786	10,786
Amount owing by a related parties	1,550	-	-	-
Income tax prepaid	-	886	-	-
Cash and cash equivalents ⁽¹⁾	420,259	54,618	1,873	5,334
	<u>993,080</u>	<u>502,024</u>	<u>12,659</u>	<u>16,120</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	661,841	691,967	-	-
Land use rights	46,300	46,834	-	-
	<u>708,141</u>	<u>738,801</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,701,221</u>	<u>1,240,825</u>	<u>385,313</u>	<u>388,774</u>
LIABILITIES				
Current liabilities				
Trade payables	342,630	217,420	-	-
Other payables and accruals	86,677	102,123	501	820
Amount owing to related parties	1,050	825	7,530	6,606
Interest-bearing loans and borrowings	529,700	224,000	-	-
Deferred income	6,080	6,080	-	-
Income tax payable	2,507	-	-	-
	<u>968,644</u>	<u>550,448</u>	<u>8,031</u>	<u>7,426</u>
Non-current liabilities				
Interest-bearing loans and borrowings	597,400	567,400	-	-
Interest-free loan from a Director	9,841	9,841	9,841	9,841
Deferred income	37,286	40,327	-	-
Deferred taxation	589	589	-	-
	<u>645,116</u>	<u>618,157</u>	<u>9,841</u>	<u>9,841</u>
Total liabilities	<u>1,613,760</u>	<u>1,168,605</u>	<u>17,872</u>	<u>17,267</u>
NET ASSETS	<u>87,461</u>	<u>72,220</u>	<u>367,441</u>	<u>371,507</u>
EQUITY				
Share capital	282,820	282,820	282,820	282,820
Statutory reserves	90,893	90,893	-	-
Accumulated (loss)/profits	(286,252)	(301,493)	84,621	88,687
TOTAL EQUITY	<u>87,461</u>	<u>72,220</u>	<u>367,441</u>	<u>371,507</u>

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

	30- Jun-2015	31-Dec-2014
	RMB'000	RMB'000
Cash and bank balances	197,259	50,618
Pledged cash deposits	223,000	4,000
	420,259	54,618

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

Amount repayable in one year or less, or on demand

As at 30-Jun-2015		As at 31-Dec-2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
465,700	64,000	45,000	179,000

Amount repayable after one year

As at 30-Jun-2015		As at 31-Dec-2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
269,000	338,241	259,000	318,241

Details of any collateral

As at 30 June 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; and
- (v) corporate guarantee given by third parties; and
- (vi) pledge of cash deposits 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.

	2Q2015	2Q2014	HY2015	HY2014
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit/(loss) before taxation	8,223	(180,711)	18,634	(223,496)
Adjustments for:-				
Depreciation of plant and equipment	19,903	22,771	39,441	49,052
Amortisation of land use rights	267	385	534	770
Amortisation of government grants	(1,520)	(1,841)	(3,041)	(3,681)
(Gain)/loss on disposal of plant and equipment	(126)	(194)	(37)	171
Interest expense	17,228	14,596	32,334	28,532
Interest income	(33)	(110)	(400)	(202)
Impairment of plant and equipment	-	138,910	-	138,910
Reversal of allowance for slow-moving inventories	-	(465)	(22)	(1,477)
Reversal of allowance for doubtful trade receivables	-	(134)	-	(134)
Operating profit / (loss) before working capital changes	43,942	(6,793)	87,443	(11,555)
Changes in working capital:				
Inventories	(20,730)	49,424	(41,180)	84,779
Trade receivables	(39,863)	8,777	(64,304)	(12,801)
Other receivables, deposits and prepayments	(15,659)	13,628	(19,245)	(968)
Amount owing by related parties	775	775	(1,550)	(1,550)
Trade payables	47,798	(28,849)	125,210	(26,135)
Other payables and accruals	(11,909)	(4,725)	(15,446)	(8,994)
Amount owing to related parties	(700)	55	225	(1,903)
Cash generated from operations	3,654	32,292	71,153	20,873
Income taxes paid	-	-	-	(1,351)
Net cash generated from operating activities	3,654	32,292	71,153	19,522
Investing activities				
Purchase of plant and equipment	(4,816)	(9,627)	(12,440)	(14,806)
Proceeds from disposal of plant and equipment	1,277	1,769	3,162	6,531
Interest received	33	110	400	202
Net cash used in investing activities	(3,506)	(7,748)	(8,878)	(8,073)

Financing activities

Refund of Unclaimed Dividend	-	1	-	1
Interest paid	(17,228)	(14,596)	(32,334)	(28,532)
Cash deposits pledged	(105,000)	(14,000)	(223,000)	(14,000)
Pledged cash deposit being released	-	450	4,000	450
Repayment of interest-free loan from a Director	-	(1,461)	-	(1,461)
Repayment of interest-bearing loans and borrowings	(255,700)	(343,000)	(545,700)	(569,350)
Proceeds from interest-bearing loans and borrowings	507,400	297,400	881,400	647,400
Net cash generated from / (used in) financing activities	129,472	(75,206)	84,366	34,508
Net increase /(decrease) in cash and bank balances	129,620	(50,662)	146,641	45,957
Cash and bank balances at beginning of period	67,639	162,864	50,618	66,245
Cash and bank balances at end of period	197,259	112,202	197,259	112,202

- 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 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

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	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)

COMPANY

	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

	Share Capital	Accumulated Profits	Total
	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

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 2015. In addition, there were no outstanding convertibles or treasury shares as at 30 June 2015 and 30 June 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.**

	Company	
	30-Jun-2015	31-Dec-2014
Ordinary shares	396,000,000	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 6-month period ended 30 June 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

	2Q2015	2Q2014	HY2015	HY2014
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
Earnings/(loss) per share				
(a) Based on weighted average number of ordinary shares in issue; and	1.6	(45.6)	3.8	(56.4)
Weighted average number of shares in issue	396,000,000	396,000,000	396,000,000	396,000,000
(b) On a fully diluted basis	1.6	(45.6)	3.8	(56.4)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Jun-2015	31-Dec-2014	30-Jun-2015	31-Dec-2014
Net asset value per ordinary share	RMB 22.1 cents	RMB 18.2 cents	RMB 92.8 cents	RMB 93.8 cents

30-Jun-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 87,461,000 and the Company's net asset value as at the end of the period of RMB 367,441,000 divided by the share capital of 396,000,000 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

2QFY15 versus 2QFY14

Revenue

	2QFY15		2QFY14		Change
	RMB'000	%	RMB'000	%	%
Corn refining	656,106	95.9	493,077	87.2	33.1
Animal feeds	26,662	3.9	67,866	12.0	(60.7)
Others	1,570	0.2	4,439	0.8	(64.6)
Total	684,338	100.0	565,382	100.0	21.0

1HFY15 versus 1HFY14

Revenue

	1HFY15		1HFY14		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,188,346	94.7	1,016,556	86.9	16.9
Animal feeds	64,394	5.1	147,269	12.6	(56.3)
Others	2,188	0.2	6,612	0.5	(66.9)
Total	1,254,928	100.0	1,170,437	100.0	7.2

The Group's revenue for 2QFY15 increased by 21.0% from RMB 565.4 million in 2QFY14 to RMB 684.3 million in 2QFY15 while revenue for the six-month period ("1HFY15") increased by 7.2% year-on-year ("y-o-y") from RMB 1.2 billion to RMB 1.3 billion. This was due mainly to increases in the sales volume of our Group's corn refining products, and the increases in the selling prices of our corn sweeteners. The significant decrease in revenue of our animal feeds segment was mainly due to both decreases in the sales volume and the selling price, and it partially offset the increase in revenue of our corn refining segment.

For 2QFY15, sales volume for corn refining segment increased from 206K ("K"=1,000) tonnes to 280K tonnes or about 36.1% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 25.3% and 78.1% respectively and the decrease in the sales volume of corn starch of about 66.2%. For 1HFY15, sales volume for corn refining segment increased from 426K tonnes to 505K tonnes or about 18.5% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 16.7% and 33.8% respectively and the decrease in the sales volume of corn starch of about 84.4%.

For 2QFY15, the weighted average price of the Group's corn refining products decreased by 2.1% y-o-y. The decrease was mainly attributable to the decrease in average price of by-products of about 14.7% resulting from the strict government environmental controls on waste management imposed on our customers, which was partially mitigated by the increases in prices of corn sweeteners and corn starch of about 4.9% and 9.9% respectively. For the same reason, the weighted average price of the Group's corn refining products for 1HFY15 decreased by 1.2% y-o-y. This decrease was attributable to the decrease in price of by-products of about 14.5%, which was partially mitigated by the increases in prices of corn sweeteners and corn starch of about 3.8% and 7.5% respectively.

The Group's export revenue in 1HFY15 decreased by 59.4% as compared to 1HFY14. The export revenue as a percentage of total revenue decreased from 6.7% in 1HFY14 to 2.5% in 1HFY15. This was because the corn sweetener products from China were not competitive in terms of production cost as a result of the higher corn price in the domestic market as compared to that in the overseas market.

Gross profit and gross profit margin

2QFY15 versus 2QFY14

	2QFY15		2QFY14	
	RMB'000	%	RMB'000	%
Corn refining	63,234	9.6	30,742	6.2
Animal feeds	(510)	(1.9)	(98)	(0.1)
Others	333	21.2	303	6.8
Total	63,057	9.2	30,947	5.5

1HFY15 versus 1HFY14

	1HFY15		1HFY14	
	RMB'000	%	RMB'000	%
Corn refining	119,982	10.1	52,830	5.2
Animal feeds	305	0.5	874	0.6
Others	538	24.6	(169)	(2.5)
Total	120,825	9.6	53,535	4.6

For 2QFY15, gross profit increased by 103.8% y-o-y to RMB 63.1 million. Revenue increased by 21.0% y-o-y, while the cost of sales for the corresponding period increased by 16.3%. This was mainly due to the increase in our capacity utilization rates and the increase in sales volume of our Group's corn refining products.

For the same reason, for 1HFY15, gross profit increased by 125.7% y-o-y to RMB 120.8 million. Group revenue increased by 7.2% y-o-y, while the cost of sales for the corresponding period increased by 1.5%.

The Group's animal feeds segment made a gross profit of about RMB 0.3 million in 1HFY15 compared with RMB 0.9 million in 1HFY14, decreasing by 65.1%, due to the decrease in both sales volume and selling price by

54.0% and 5.0% y-o-y respectively.

The Group's others segment made a gross profit of about RMB 0.5 million in 1HFY15 compared with a gross loss of about RMB 0.2 million in 1HFY14 due mainly to the decrease of about RMB 0.6 million in gross loss of amino acids.

Other operating income

Other operating income increased by RMB 3.0 million from RMB 18.0 million in 1HFY14 to RMB 21.0 million in 1HFY15 due mainly to the increases in insurance claim compensation, penalties imposed on supplier, 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 14.6% from RMB 59.5 million in 1HFY14 to RMB 50.8 million in 1HFY15. This is mainly attributable to reduction in transportation costs resulting from the decline in diesel fare prices and decreases in staff costs, rental expenses and travel expenses.

- Administrative expenses

The Group's administrative expenses decreased by 40.0% from RMB 66.2 million in 1HFY14 to RMB 39.7 million in 1HFY15. This was mainly due to the decreases in depreciation charge, staff costs, entertainment expenses, travel expenses and other costs resulting from production halts of certain products.

- Other operating expenses

Other operating expenses decreased by RMB 140.5 million from RMB 140.9 million in 1HFY14 to RMB 0.4 million in 1HFY15. This was due mainly to the impairment of property, plant and equipment of about RMB 138.9 million in 1HFY14 and nil impairment in 1HFY15, and the decreases in product quality compensations and loss from disposal of plant and equipment.

Finance expenses

The Group's finance expenses increased by 13.3% from RMB 28.5 million in 1HFY14 to RMB 32.3 million in 1HFY15. This is mainly attributable to the increase in interest-bearing loans and borrowings.

Taxation

The increase in income tax expense was due to the net profit generated from the Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, the effective tax rate in 1HFY15 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income increased by 106.8% from a loss of RMB 223.5 million in 1HFY14 to a profit of RMB 15.2 million in 1HFY15 due mainly to a 125.7% y-o-y increase in gross profit of about RMB 67.3 million and the decrease in other operating expenses of about RMB 140.5 million, as well as the decreases in administrative expenses and selling and distribution expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1HFY15</u>	<u>FY14</u>
Inventory turnover days	42	47
Trade receivable turnover days	31	33
Trade payable turnover days	45	40
Debt equity ratio	12.89	10.96

(i) Current assets

Current assets increased by RMB 491.1 million from RMB 502.0 million as at 31 December 2014 to RMB 993.1 million as at 30 June 2015, due mainly to the increase in inventories of RMB 41.2 million, the increase in trade receivables of RMB 64.3 million, the increase in other receivables, deposits and prepayments of RMB 19.2 million, and the increase in cash and cash equivalents of RMB 365.6 million. Trade receivable turnover days decreased from 33 days in FY14 to 31 days in 1HFY15. Inventory turnover days was 42 days in 1HFY15, being lower than 47 days for FY14.

(ii) Non-current assets

The decrease of RMB 30.7 million in non-current assets was the net effect of capital expenditure and depreciation.

(iii) Current liabilities

Current liabilities increased by RMB 418.2 million from RMB 550.4 million as at 31 December 2014 to RMB 968.6 million as at 30 June 2015, due mainly to the increase in trade payables of RMB 125.2 million, the increase in short-term interest-bearing loans and borrowings of RMB 305.7 million (including the bank note payable of about RMB 374.0 million which is secured by a pledge of cash deposits of about RMB 223.0 million) and the increase in income tax payable of RMB 2.5 million. These increases were partially offset by the decrease in other payables and accruals of RMB 15.4 million. Trade payable turnover days was higher at 45 days, compared with 40 days for FY14.

The Group's debt equity ratio was 12.89 times as at end of 1HFY15 compared with 10.96 times as at end of FY14. This was due to the increase of RMB 335.7 million in total interest-bearing loans and borrowings and the increase of RMB 15.2 million in total equity resulting from the net profit generated from 1HFY15.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 27.0 million due to the increase of RMB 30.0 million in long-term interest-bearing loans and borrowings, and the decrease of RMB 3.0 million in deferred income.

(v) Shareholders' equity

As at 30 June 2015, shareholders' equity was higher than that as at 31 December 2014 due to the net profit of RMB 15.2 million generated in 1HFY15.

c) Cash Flows

For 1HFY15, the Group experienced net operating cash inflow of RMB 71.2 million. This comprised operating profit before changes in working capital of RMB 87.4 million adjusted for increase in working capital of RMB 16.3 million.

The change in working capital was mainly the result of:

- i) an increase in inventory of RMB 41.2 million;
- ii) an increase in trade receivables of RMB 64.3 million;
- iii) an increase in other receivables, deposits and prepayments of RMB 19.2 million;
- iv) an increase in amount owing by related parties of RMB 1.6 million; and
- v) a decrease in other payables and accruals of RMB 15.4 million,

which were offset by

- vi) an increase in trade payables of RMB 125.2 million; and
- vii) an increase in amount owing to related parties of RMB 0.2 million.

Net cash used in investing activities amounted to RMB 8.9 million in 1HFY15. 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 of RMB 3.2 million arising from proceeds from the disposal of plant and equipment.

Net cash inflow from financing activities was RMB 84.4 million in 1HFY15, mainly due to the net increase of bank loans amounting to RMB 335.7 million, which was partially offset by payment of interest expense of RMB 32.3 million and the net increase in pledged cash deposits of RMB 219.0 million. The additional bank loans were mainly used to finance the working capital needs.

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 2QFY15 are consistent with the commentary under section 10 of the announcement dated 14 May 2015 on the unaudited financial statements for the first quarter ended 31 March 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

In the second quarter of 2015, the China economy continued to slow down due to the weak demand from its external and domestic markets. Despite the stimulus measures and the central government's policy of easing on the loan interest rates, the domestic demand has yet to pick up to expected levels. In addition, the wide-ranging structural changes to shift the economy's focus to domestic-led growth rather than export-led growth needs time for the market to adapt. The cane sugar industry has remained relatively stable due to the central government's import restriction measures, coupled with the stable corn prices as a result of the substantial corn reserved by the central government, and these have had a positive impact on the average prices of the Group's corn sweetener products, resulting in better gross profit margins. The Group expects a decline in the corn raw material prices and at the same time a gradual pick up in the demand for its corn sweetener products in the second half of 2015, in view of the government's push for a demand-based economy for the domestic consumer market. In spite of the positive market condition, the Group continues to be cautiously optimistic of the consumer demand for its products and barring any unforeseen changes in government policies and other unforeseen circumstances, the Group remains positive of its business outlook in 2015.

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 2015.

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

	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
	30/06/2015	30/06/2014
Rental expenses to Shandong Luzhou	1,550	1,550
Rental expenses to Shaanxi Luzhou	1,050	1,050

Shandong Luzhou – Shandong Luzhou Food Group., Ltd.

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

The Company does not have a general mandate from shareholders for interested person transactions.

14 Confirmation Pursuant to Rule 705(5) of the Listing Manual

We, Niu Ji Xing and Wang De You, being the Directors of Luzhou Bio-Chem Technology Limited (“the Company”), do hereby confirm for and on behalf of the Board of Directors of the Company that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter ended 30 June 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
14 August 2015