



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

First Quarter Results

Announcement for the Period

Ended 31 March 2015



UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 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.

	3 months ended		
	31/03/2015 RMB'000	31/03/2014 RMB'000	Change %
Revenue	570,590	605,055	(5.7)
Cost of sales	(512,822)	(582,467)	(12.0)
Gross profit	57,768	22,588	155.7
Other operating income	12,180	11,924	2.1
Selling and distribution expenses	(21,484)	(28,840)	(25.5)
Administrative expenses	(22,629)	(33,863)	(33.2)
Other operating expenses	(318)	(658)	(51.7)
Finance expenses	(15,106)	(13,936)	8.4
Profit/(loss) before taxation	10,411	(42,785)	124.3
Taxation	(1,503)	-	-
Profit/(loss) for the period and total comprehensive income/(loss)	8,908	(42,785)	120.8
Total comprehensive income/(loss) attributable to:			
Equity holders	8,908	(42,785)	120.8
Gross profit margin	10.1%	3.7%	173.0
Net profit/(loss) margin	1.6%	(7.1%)	122.5
Profit/(loss) per share (RMB cents)			
- basic	2.2	(10.8)	120.4
- diluted	2.2	(10.8)	120.4

Notes to the Comprehensive Income Statement

	3 months ended		Change %
	31/03/2015	31/03/2014	
	RMB'000	RMB'000	
Profit before tax is arrived at after charging/ (crediting):			
Interest income	(367)	(92)	298.9
Interest expense on borrowings	15,106	13,936	8.4
Depreciation of plant and equipment	19,538	26,281	(25.7)
Amortisation of land use rights	267	385	(30.6)
Amortisation of government grants	(1,521)	(1,840)	(17.3)
Foreign currencies exchange loss	13	172	(92.4)
Loss on disposal of plant and equipment	89	365	(75.6)
Reversal of allowance for slow-moving inventory	(22)	(1,012)	(97.8)

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	
	31-Mar-2015	31-Dec-2014	31-Mar-2015	31-Dec-2014
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	259,366	238,894	-	-
Trade receivables	203,795	179,354	-	-
Other receivables, deposits and prepayments	31,858	28,272	10,786	10,786
Amount owing by a related parties	2,325	-	-	-
Income tax prepaid	-	886	-	-
Cash and cash equivalents ⁽¹⁾	185,639	54,618	4,340	5,334
	<u>682,983</u>	<u>502,024</u>	<u>15,126</u>	<u>16,120</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	678,079	691,967	-	-
Land use rights	46,567	46,834	-	-
	<u>724,646</u>	<u>738,801</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,407,629</u>	<u>1,240,825</u>	<u>387,780</u>	<u>388,774</u>
LIABILITIES				
Current liabilities				
Trade payables	294,832	217,420	-	-
Other payables and accruals	98,586	102,123	1,235	820
Amount owing to related parties	1,750	825	7,086	6,606
Interest-bearing loans and borrowings	317,000	224,000	-	-
Deferred income	6,080	6,080	-	-
Income tax payable	617	-	-	-
	<u>718,865</u>	<u>550,448</u>	<u>8,321</u>	<u>7,426</u>
Non-current liabilities				
Interest-bearing loans and borrowings	558,400	567,400	-	-
Interest-free loan from a Director	9,841	9,841	9,841	9,841
Deferred income	38,806	40,327	-	-
Deferred taxation	589	589	-	-
	<u>607,636</u>	<u>618,157</u>	<u>9,841</u>	<u>9,841</u>
Total liabilities	<u>1,326,501</u>	<u>1,168,605</u>	<u>18,162</u>	<u>17,267</u>
NET ASSETS	<u>81,128</u>	<u>72,220</u>	<u>369,618</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	(292,585)	(301,493)	86,798	88,687
TOTAL EQUITY	<u>81,128</u>	<u>72,220</u>	<u>369,618</u>	<u>371,507</u>

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

	31- Mar-2015	31-Dec-2014
	RMB'000	RMB'000
Cash and bank balances	67,639	50,618
Pledged cash deposits	118,000	4,000
	185,639	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 31-Mar-2015		As at 31-Dec-2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
238,000	79,000	45,000	179,000

Amount repayable after one year

As at 31-Mar-2015		As at 31-Dec-2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
230,000	338,241	259,000	318,241

Details of any collateral

As at 31 March 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.

	1st quarter ended	
	31-Mar-2015	31-Mar-2014
	RMB'000	RMB'000
Operating activities		
Profit/(loss) before taxation	10,411	(42,785)
Adjustments for:-		
Depreciation of plant and equipment	19,538	26,281
Amortisation of land use rights	267	385
Amortisation of government grants	(1,521)	(1,840)
Loss on disposal of plant and equipment	89	365
Interest expense	15,106	13,936
Interest income	(367)	(92)
Reversal of allowance for slow-moving inventory	(22)	(1,012)
Operating profit/(loss) before working capital changes	43,501	(4,762)
Changes in working capital:		
Inventories	(20,450)	35,355
Trade receivables	(24,441)	(21,578)
Other receivables, deposits and prepayments	(3,586)	(14,596)
Amount owing by related parties	(2,325)	(2,325)
Trade payables	77,412	2,714
Other payables and accruals	(3,537)	(4,269)
Amount owing to related parties	925	(1,958)
Cash generated from/(used in) operations	67,499	(11,419)
Income taxes paid	-	(1,351)
Net cash generated from/(used in) operating activities	67,499	(12,770)
Investing activities		
Purchase of plant and equipment	(7,689)	(5,179)
Proceeds from disposal of plant and equipment	1,950	4,762
Interest income received	367	92
Net cash (used in) investing activities	(5,372)	(325)
Financing activities		
Interest expense paid	(15,106)	(13,936)
Increase in pledged cash deposits	(114,000)	-
Repayment of interest - bearing loans and borrowings	(290,000)	(226,350)
Proceeds from interest - bearing loans and borrowings	374,000	350,000
Net cash (used in)/generated from financing activities	(45,106)	109,714
Net increase in cash and bank balances	17,021	96,619
Cash and bank balances at beginning of period	50,618	66,245
Cash and bank balances at end of period	67,639	162,864

- 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

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	Accumulated Profits/(Loss)	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

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

	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

[#] 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 December 2014. In addition, there were no outstanding convertibles or treasury shares as at 31 March 2015 and 31 March 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	
	31-Mar-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 3-month period ended 31 March 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.

	<u>3 months ended</u>	
	<u>31-Mar-2015</u>	<u>31-Mar-2014</u>
	RMB (cents)	RMB (cents)
Earnings / (Loss) per share		
(a) Based on weighted average number of ordinary shares in issue; and	2.2	(10.8)
Weighted average number of shares in issue	396,000,000	396,000,000
(b) On a fully diluted basis	2.2	(10.8)

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

	Group		Company	
	31-Mar-2015	31-Dec-2014	31-Mar-2015	31-Dec-2014
Net asset value per ordinary share	RMB 20.5 cents	RMB 18.2 cents	RMB 93.3 cents	RMB 93.8 cents

31-Mar-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 81,128,000 and the Company's net asset value as at the end of the period of RMB 369,618,000 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. It must include a discussion of the following:- (a) 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; and (b) 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

1QFY15 versus 1QFY14

Revenue

	1QFY15		1QFY14		Change
	RMB'000	%	RMB'000	%	%
Corn refining	532,240	93.3	523,479	86.5	1.7
Animal feeds	37,732	6.6	79,403	13.1	(52.5)
Others	618	0.1	2,173	0.4	(71.6)
Total	570,590	100.0	605,055	100.0	(5.7)

The Group's revenue for 1QFY15 decreased by RMB 34.5 million, or 5.7% year on year ("y-o-y"), due mainly to the decrease in revenue of 52.5% for our animal feeds segment, which resulted from the decrease in both sales volume and selling price of 49.6% and 5.8% respectively. The revenue from our corn refining segment increased slightly in 1QFY15 due to the small increase in sales volume.

For 1QFY15, sales volume for the corn refining segment increased from 221K ("K"=1,000) tonnes to 225K tonnes or about 2.1% y-o-y, due mainly to the increases in the sales volumes of corn sweeteners and by-products of about 7.7% and 0.7% respectively. This increase was partially mitigated by the decrease in the sales volume of corn starch of about 92.5%.

The prices of the Group's corn refining products decreased slightly by 0.5% y-o-y. The decrease was mainly attributable to the decrease in price of by-products of about 13.4%, partially mitigated by the increases in prices of corn sweeteners and corn starch of about 2.4% and 2.5% respectively.

The Group's export revenue in 1QFY15 decreased by 74.8% y-o-y, while export revenue as a percentage of total revenue decreased from 6.5% in 1QFY14 to 1.7% in 1QFY15. 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 domestic market than that in overseas market.

1QFY15 versus 1QFY14

Gross profit and gross profit margin

	1QFY15		1QFY14	
	RMB'000	%	RMB'000	%
Corn refining	56,748	10.7	22,088	4.2
Animal feeds	815	2.2	972	1.2
Others	205	33.1	(472)	(21.7)
Total	57,768	10.1	22,588	3.7

During 1QFY15, gross profit increased by 155.7% y-o-y to RMB 57.8 million. Revenue decreased by 5.7% y-o-y, while the cost of sales for the corresponding period decreased by 12.0%. Group gross profit margin increased by 173.0% y-o-y to 10.1%. This was mainly due to the decrease in the corn raw material prices of about 0.3%, and the increase in our capacity utilization rates.

The Group's animal feeds segment made a gross profit of RMB 0.8 million in 1QFY15, decreasing by 16.2% compared with 1QFY14. This was mainly due to the significant decreases in both sales volume and selling price.

The others segment made a gross profit of RMB 0.2 million in 1QFY15, compared with a gross loss of RMB 0.5 million in 1QFY14 due mainly to the increase of RMB 0.7 million in gross profit from our Hongzhou subsidiary.

Other operating income

Other operating income increased from RMB 11.9 million in 1QFY14 to RMB 12.2 million in 1QFY15, due mainly to the increases in insurance claim compensation, stock-taking surplus, interest income from banks and others. 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 25.5% from RMB 28.8 million in 1QFY14 to RMB 21.5 million in 1QFY15, which is in line with the decrease in revenue. This is mainly attributable to the decrease in staff costs, rental expenses and transportation costs.

- Administrative expenses

The Group's administrative expenses decreased by 33.2% from RMB 33.9 million in 1QFY14 to RMB 22.6 million in 1QFY15. This was mainly due to the decreases in depreciation charge and staff costs.

- Other operating expenses

The Group's other operating expenses decreased by RMB 0.3 million from RMB 0.7 million in 1QFY14 to RMB 0.3 million in 1QFY15. This was mainly due to the decrease in foreign currencies exchange loss and loss from disposal of plant and equipment.

Finance expenses

The Group's finance expenses increased by 8.4% from RMB 13.9 million in 1QFY14 to RMB 15.1 million in 1QFY15. This was attributable to the increase in interest costs.

Taxation

The increase in income tax expense was due to the net profit generated from Shaanxi plant. 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 1QFY15 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income increased by 120.8% from a loss of RMB 42.8 million in 1QFY14 to a profit of RMB 8.9 million in 1QFY15 due mainly to a 155.7% y-o-y increase in gross profit or about RMB 35.2 million, and the decreases in administrative expenses and selling and distribution expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1QFY15</u>	<u>FY14</u>
Inventory turnover days	44	47
Trade receivable turnover days	31	33
Trade payable turnover days	46	40
Debt equity ratio	10.79	10.96

(i) Current assets

Current assets increased by RMB 181.0 million from RMB 502.0 million as at 31 December 2014 to RMB 683.0 million as at 31 March 2015, due mainly to the increase in inventories of RMB 20.5 million, the increase in trade receivables of RMB 24.4 million, the increase in other receivables, deposits and prepayments of RMB 3.6 million, and the increase in cash and cash equivalents of RMB 131.0 million. Trade receivable turnover days decreased from 33 days in FY14 to 31 days in 1QFY15. Inventory turnover days was 44 days in 1QFY15, being lower than 47 days for FY14.

(ii) Non-current assets

The decrease of RMB 14.2 million in non-current assets was the net effect of capital expenditure and depreciation.

(iii) Current liabilities

Current liabilities increased by RMB 168.4 million from RMB 550.4 million as at 31 December 2014 to RMB 718.9 million as at 31 March 2015, due mainly to the increase in trade payables of RMB 77.4 million and the increase in short-term interest-bearing loans and borrowings of RMB 93.0 million. This increase was offset by the decrease in other payables and accruals of RMB 3.5 million. Trade payable turnover days was higher at 46 days, compared with 40 days for FY14.

The Group's debt equity ratio was 10.79 times as at end of 1QFY15 compared with 10.96 times as at end of FY14. This was due to the increase of RMB 84.0 million in total interest-bearing loans and borrowings and the increase of RMB 8.9 million in total equity resulting from the net profit generated from 1QFY15.

WORKING CAPITAL AND BANK BORROWINGS AS AT 31 MARCH 2015

The management will take active steps to manage the Group's working capital position. Currently, we have approximately RMB 43.3 million in short-term bank loans to be repaid by end of 2QFY15. The repayment of loans that will be due by end of 2QFY15 shall be funded through the generation of operating cash flow in addition to the new bank borrowings for which the management is in discussion with the Group's bankers.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 10.5 million due to the decrease of RMB 9.0 million in long-term interest-bearing loans and borrowings, and the decrease of RMB 1.5 million in deferred income.

(v) Shareholders' equity

As at 31 March 2015, shareholders' equity was higher than that as at 31 December 2014 due to the net profit of RMB 8.9 million generated in 1QFY15.

c) Cash Flows

For 1QFY15, the Group had net operating cash inflow of RMB 67.5 million. This comprised operating profit before changes in working capital of RMB 43.5 million adjusted for decrease in working capital of RMB 24.0 million.

The changes in working capital were mainly the result of:

- i) an increase in trade payables of RMB 77.4 million, and
- ii) an increase in amount owing to related parties of RMB 0.9 million,

which were partially offset by

- iii) an increase in inventory of RMB 20.5 million,
- iv) an increase in trade receivables of RMB 24.4 million,
- v) an increase in other receivables, deposits and prepayments of RMB 3.6 million,
- vi) an increase in amount owing by related parties of RMB 2.3 million, and
- vii) a decrease in other payable and accruals of RMB 3.5 million.

Net cash used in investing activities amounted to RMB 5.4 million in 1QFY15. This was mainly for purchase of plant and equipment which was partially offset by cash inflows of RMB 2.0 million arising from proceeds from the disposal of plant and equipment.

Net cash outflow used in financing activities was RMB 45.1 million, mainly due to payment of interest expense of RMB 15.1 million and an increase in pledged cash deposits of RMB 114.0 million, which was partially offset by a net increase in total bank loans amounting to RMB 84.0 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 1QFY15 are consistent with the commentary under section 10 of the announcement dated 27 February 2015 on the unaudited financial statements for the fourth quarter and full year ended 31 December 2014.

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 view of the expected weak China domestic economy for the year 2015, the central Chinese government has since introduced certain measures to help its domestic cane sugar industry. This is a significant development as the domestic average cane sugar prices have since increased gradually, thereby lifting the average prices of the corn sweetener products in the industry. The average corn raw material price has also dipped marginally in 1Q2015 as compared to the previous quarter and we expect the corn raw material price to remain stable for the year. The Group is cautiously optimistic that these favorable conditions shall continue and barring unforeseen circumstances, the Group is 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 first quarter ended 31 March 2015.

13 Summary of Interested Person Transactions for the financial period ended 31 March 2015

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Three months ended	Three months ended
	31/03/2015	31/03/2014
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	775	775
Rental expenses to Shaanxi Luzhou	525	525

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 first quarter ended 31 March 2015 to be false or misleading in any material aspect.

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 May 2015