



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Third Quarter and
Nine Months Results
Announcement for the Period
Ended 30 September 2014**



UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

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.

	3QFY14	3QFY13	Change	9MFY14	9MFY13	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	441,633	751,300	(41.2)	1,612,070	2,391,007	(32.6)
Cost of sales	(420,971)	(700,699)	(39.9)	(1,537,873)	(2,229,959)	(31.0)
Gross profit	20,662	50,601	(59.2)	74,197	161,048	(53.9)
Other operating income	5,676	6,401	(11.3)	23,708	24,816	(4.5)
Selling and distribution expenses	(23,420)	(34,187)	(31.5)	(82,917)	(109,869)	(24.5)
Administrative expenses	(31,166)	(40,005)	(22.1)	(97,340)	(102,356)	(4.9)
Other operating expenses	(393)	31	1,367.7	(141,253)	(11,387)	1,140.5
Finance expenses	(15,415)	(13,039)	18.2	(43,947)	(38,820)	13.2
(Loss) before taxation	(44,056)	(30,198)	45.9	(267,552)	(76,568)	249.4
Taxation	(9)	(1,064)	(99.2)	(9)	(5,213)	(99.8)
Total comprehensive (Loss)	(44,065)	(31,262)	41.0	(267,561)	(81,781)	227.2
(Loss) for the period and total comprehensive (Loss) attributable to :						
Equity holders of the Company	(44,065)	(31,262)	41.0	(267,561)	(81,781)	227.2
Gross profit margin	4.7%	6.7%	(29.9)	4.6%	6.7%	(31.3)
Net loss margin	(10.0%)	(4.2%)	138.1	(16.6%)	(3.4%)	388.2
(Loss) per share (RMB cents)						
- basic	(11.2)	(7.9)	41.8	(67.6)	(20.7)	226.6
- diluted	(11.2)	(7.9)	41.8	(67.6)	(20.7)	226.6

Notes to the Comprehensive Income Statement

	3QFY14 RMB'000	3QFY13 RMB'000	Change %	9MFY14 RMB'000	9MFY13 RMB'000	Change %
Profit before tax is arrived at after charging/ (crediting)						
Interest income	(132)	(279)	(52.7)	(334)	(475)	(29.7)
Interest expense on borrowings	15,415	13,039	18.2	43,947	38,820	13.2
Depreciation of plant and equipment	20,753	26,139	(20.6)	69,805	78,154	(10.7)
Amortisation of land use rights	385	463	(16.8)	1,155	1,075	7.4
Amortisation of government grants	(1,841)	(2,181)	(15.6)	(5,522)	(5,863)	(5.8)
Foreign exchange (loss)/gain(net)	149	(405)	136.8	258	766	(66.3)
Gain/(Loss) on disposal of plant and equipment	(15)	113	(113.3)	156	(72)	316.7
Impairment of property, plant and equipment	-	-	-	138,910	-	-
Allowance for doubtful trade receivables	-	-	-	(134)	-	-
Allowance for slow-moving inventories	(1,139)	-	-	(2,616)	5,983	(143.7)

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-2014	31-Dec-2013	30-Sep-2014	31-Dec-2013
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	155,294	273,170	-	-
Trade receivables	175,245	191,700	-	-
Other receivables, deposits and prepayments	33,777	84,333	10,802	807
Amount owing by a related party	775	-	-	-
Cash and cash equivalents ⁽¹⁾	116,959	66,695	7,297	3,867
	<u>482,050</u>	<u>615,898</u>	<u>18,099</u>	<u>4,674</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	712,152	907,214	12	68
Land use rights	47,101	48,256	-	-
	<u>759,253</u>	<u>955,470</u>	<u>372,666</u>	<u>372,722</u>
Total assets	<u>1,241,303</u>	<u>1,571,368</u>	<u>390,765</u>	<u>377,396</u>
LIABILITIES				
Current liabilities				
Trade payables	160,279	215,067	-	-
Other payables and accruals	88,894	109,021	1,026	754
Amount owing to related parties	1,205	2,520	6,048	4,374
Interest-free loan from a Director	9,841	11,302	9,841	11,302
Interest-bearing loans and borrowings	214,000	207,000	-	-
Deferred income	6,197	7,364	-	-
Income tax payable	(868)	474	-	-
	<u>479,548</u>	<u>552,748</u>	<u>16,915</u>	<u>16,430</u>
Non-current liabilities				
Interest-bearing loans and borrowings	577,400	562,350	-	-
Deferred income	39,324	43,679	-	-
Deferred taxation	589	589	-	-
	<u>617,313</u>	<u>606,618</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,096,861</u>	<u>1,159,366</u>	<u>16,915</u>	<u>16,430</u>
NET ASSETS	<u>144,442</u>	<u>412,002</u>	<u>373,850</u>	<u>360,966</u>
EQUITY				
Share capital	282,820	282,820	282,820	282,820
Statutory reserves	90,893	90,893	-	-
Accumulated (loss)/profits	(229,271)	38,289	91,030	78,146
TOTAL EQUITY	<u>144,442</u>	<u>412,002</u>	<u>373,850</u>	<u>360,966</u>

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

	30- Sep-2014	31-Dec-2013
	RMB'000	RMB'000
Cash and bank balances	102,959	66,245
Pledged cash deposits	14,000	450
	116,959	66,695

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

Amount repayable in one year or less, or on demand

As at 30-Sep-2014		As at 31-Dec-2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
75,000	148,841	62,000	156,302

Amount repayable after one year

As at 30-Sep-2014		As at 31-Dec-2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
269,000	308,400	314,350	248,000

Details of any collateral

As at 30 September 2014, 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.

	3QFY14	3QFY13	9MFY14	9MFY13
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss) before taxation	(44,056)	(30,198)	(267,552)	(76,568)
Adjustments for:-				
Depreciation of plant and equipment	20,753	26,139	69,805	78,154
Amortisation of land use rights	385	463	1,155	1,075
Amortisation of government grants	(1,841)	(2,181)	(5,522)	(5,863)
Gain on disposal of plant and equipment(net)	(15)	113	156	(72)
Interest expense	15,415	13,039	43,947	38,820
Interest income	(132)	(279)	(334)	(475)
Impairment of plant and equipment	-	-	138,910	-
Allowance for slow-moving inventories	(1,139)	-	(2,616)	5,983
Allowance for doubtful trade receivables	-	-	(134)	-
Operating profit before working capital changes	(10,630)	7,096	(22,185)	41,054
Changes in working capital:				
Inventories	35,713	59,497	120,492	68,275
Trade receivables	29,390	41,308	16,589	18,300
Other receivables, deposits and prepayments	51,524	5,924	50,556	(27,981)
Amount owing by related parties	775	775	(775)	(7,651)
Trade payables	(28,653)	(102,859)	(54,788)	(86,374)
Other payables and accruals	(11,133)	(6,515)	(20,127)	(602)
Amount owing to related parties	588	350	(1,315)	(34,747)
Cash generated from/(used in) operations	67,574	5,576	88,447	(29,726)
Income taxes paid	-	(624)	(1,351)	(3,447)
Net cash generated from/(used in) operating activities	67,574	4,952	87,096	(33,173)
Cash flows from investing activities				
Purchase of plant and equipment	(6,889)	(9,899)	(21,695)	(43,985)
Proceeds from government grant	-	-	-	10,000
Proceeds from disposal of plant and equipment	1,355	10,452	7,886	20,620
Interest income received	132	279	334	475
Cash deposits pledged	(4,000)	-	(18,000)	-
Pledged cash deposit being released	4,000	3,000	4,450	-
Net cash (used in) / generated from investing activities	(5,402)	3,832	(27,025)	(12,890)

Cash flows from financing activities

Acquisition of non-controlling interest in a subsidiary	-	-	-	(6,000)
Refund of Unclaimed Dividend	-	-	1	(9,743)
Interest expense paid	(15,415)	(13,039)	(43,947)	(38,820)
Amount owing to related parties	-	-	-	(2,520)
Proceeds from interest-free loan from a Director	-	1,461	-	11,302
Repayment of interest-free loan from a Director	-	-	(1,461)	-
Repayment of interest-bearing loans and borrowings	(265,000)	(168,000)	(834,350)	(636,350)
Proceeds from interest-bearing loans and borrowings	209,000	195,000	856,400	743,350
Net cash (used in) / generated from financing activities	(71,415)	15,422	(23,357)	61,219
Net (decrease) / increase in cash and bank balances	(9,243)	24,206	36,714	15,156
Cash and bank balances at beginning of period	112,202	110,470	66,245	119,520
Cash and bank balances at end of period	102,959	134,676	102,959	134,676

- 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 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

	←	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 2013	282,820	87,930	164,752	535,502
Total comprehensive loss for the period	-	-	(15,203)	(15,203)
Balance as at 31 March 2013	282,820	87,930	149,549	520,299
Payment of Dividend			(9,743)	(9,743)
Total comprehensive loss for the period	-	-	(35,316)	(35,316)
Balance as at 30 June 2013	282,820	87,930	104,490	475,240
Total comprehensive loss for the period	-	-	(31,262)	(31,262)
Balance as at 30 September 2013	282,820	87,930	73,228	443,978

COMPANY

	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
Total comprehensive loss for the period	-	(2,116)	(2,116)
Balance as at 30 September 2014	282,820	91,030	373,850

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2013	282,820	83,306	366,126
Total comprehensive loss for the period	-	(2,061)	(2,061)
Balance as at 31 March 2013	282,820	81,245	364,065
Payment of Dividend		(9,743)	(9,743)
Total comprehensive loss for the period	-	14,892	14,892
Balance as at 30 June 2013	282,820	86,394	369,214
Total comprehensive loss for the period	-	(2,974)	(2,974)
Balance as at 30 September 2013	282,820	83,420	366,240

In accordance with relevant PRC regulations, a wholly foreign owned enterprise in PRC is required to appropriate not less than 10% of its profit after tax to the statutory reserve, until the balance of the fund reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserves of the enterprise may be used to offset against its accumulated losses.

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes in the Company's share capital since 30 June 2014. In addition, there were no outstanding convertibles or treasury shares as at 30 September 2014 and 30 September 2013.

- 1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	Company	
	30-Sep-2014	31-Dec-2013
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 2014. 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 2014. 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 FY2013.

- 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

	3QFY14	3QFY13	9MFY14	9MFY13
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss) per share				
(a) Based on weighted average number of ordinary shares in issue; and	(11.2)	(7.9)	(67.6)	(20.7)
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	(11.2)	(7.9)	(67.6)	(20.7)

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

	Group		Company	
	30-Sep-2014	31-Dec-2013	30-Sep-2014	31-Dec-2013
Net asset value per ordinary share	RMB 36.5 cents	RMB 104.0 cents	RMB 94.4 cents	RMB 91.2 cents

30-Sep-2014

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 144,442,000 and the Company's net asset value as at the end of the period of RMB 373,850,000 divided by the share capital of 396,000,000 ordinary shares.

31-Dec-2013

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 412,002,000 and the Company's net asset value as at the end of the year of RMB 360,966,000 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

3QFY14 versus 3QFY13

Revenue	3QFY14		3QFY13		Change
	RMB'000	%	RMB'000	%	%
Corn refining	405,292	91.8	647,981	86.3	(37.5)
Animal feeds	33,647	7.6	90,326	12.0	(62.7)
Others	2,694	0.6	12,993	1.7	(79.3)
Total	441,633	100.0	751,300	100.0	(41.2)

9MFY14 versus 9MFY13

Revenue	9MFY14		9MFY13		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,421,848	88.2	2,060,689	86.2	(31.0)
Animal feeds	180,916	11.2	304,164	12.7	(40.5)
Others	9,306	0.6	26,154	1.1	(64.4)
Total	1,612,070	100.0	2,391,007	100.0	(32.6)

The Group's revenue for 3QFY14 decreased by 41.2% from RMB 751.3 million in 3QFY13 to RMB 441.6 million in 3QFY14, while revenue for the nine-month period ("9MFY14") decreased by 32.6% year-on-year ("y-o-y") from RMB 2.4 billion to RMB 1.6 billion. This was due mainly to the decreases in the sales volume of our corn refining segment because of weak market demand.

For 3QFY14, sales volume for corn refining segment decreased from 256K ("K"=1,000) tonnes to 155K tonnes or about 39.4% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 32.9%, 85.6% and 48.2% respectively. For 9MFY14, sales volume for corn refining segment decreased from 810K tonnes to 581K tonnes or by about 28.2% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 22.0%, 70.8% and 33.3% respectively.

For 3QFY14, the weighted average selling price of the Group's corn refining products increased by 4.6% y-o-y, this increase was attributable to the increases in prices of corn sweeteners and corn starch of about 4.0% and 17.5% respectively, while the selling price of by-products decreased by 5.4% y-o-y. Due to the improved

weighted average selling price in 3QFY14, the weighted average selling price of the Group's corn refining products for 9MFY14 decreased by 3.3% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners and by-products of about 4.2% and 6.4% respectively, while the selling price of corn starch increased slightly by 2.0% y-o-y.

The Group's export revenue in 9MFY14 decreased by 24.4% as compared to 9MFY13. However the export revenue as a percentage of total revenue increased from 5.1% in 9MFY13 to 5.7% in 9MFY14 due to the effect of a greater decrease in total revenue of 32.6% vis-a-vis the export revenue.

Gross profit and gross profit margin

3QFY14 versus 3QFY13

	3QFY14		3QFY13	
	RMB'000	%	RMB'000	%
Corn refining	21,722	5.4	52,080	8.0
Animal feeds	528	1.6	(375)	(0.4)
Others	(1,588)	(59.0)	(1,104)	(8.5)
Total	<u>20,662</u>	4.7	<u>50,601</u>	6.7

9MFY14 versus 9MFY13

	9MFY14		9MFY13	
	RMB'000	%	RMB'000	%
Corn refining	74,552	5.2	154,797	7.5
Animal feeds	1,402	0.8	7,452	2.5
Others	(1,757)	(18.9)	(1,201)	(4.6)
Total	<u>74,197</u>	4.6	<u>161,048</u>	6.7

Gross profit for 3QFY14 decreased by 59.2% y-o-y to RMB 20.7 million due mainly to the decrease in sales of our corn refining products. Revenue decreased by 41.2% y-o-y, while the cost of sales for the corresponding period decreased by 39.9%. For the same reason, gross profit for 9MFY14 decreased by 53.9% y-o-y to RMB 74.2 million. Group revenue for 9MFY14 decreased by 32.6% y-o-y, while the cost of sales for the corresponding period decreased by 31.0%.

The Group's animal feeds segment made a gross profit of RMB 1.4 million in 9MFY14, decreasing by 81.2% compared with RMB 7.5 million in 9MFY13. This was mainly due to the decrease in both sales volume and selling price by 38.5% and 3.3% y-o-y respectively.

The Group's others segment made a gross loss of RMB 1.8 million in 9MFY14 compared with a gross loss of RMB 1.2 million in 9MFY13, due mainly to the decrease of RMB 2.1 million in gross profit of our Hongzhou company and the increase of RMB 1.5 million in gross profit of amino acids.

Other operating income

Other operating income decreased by 4.5% from RMB 24.8 million in 9MFY13 to RMB 23.7 million in 9MFY14 due largely to the decrease in government grant and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 24.5% from RMB 109.9 million in 9MFY13 to RMB 82.9 million in 9MFY14, which is in line with the decrease in revenue. This is mainly attributable to the decrease in transportation costs, staff salaries and supplementary sales tax.

- Administrative expenses

The Group's administrative expenses decreased by 4.9% from RMB 102.4 million in 9MFY13 to RMB 97.3 million in 9MFY14, and this was mainly due to the decrease in staff cost, utilities, office expenses, traveling expenses and entertainment expenses, offset by increase in depreciation cost resulting from the temporary stoppage of production of certain products.

- Other operating expenses

Other operating expenses increased by 1140.5% or RMB 129.9 million from RMB 11.4 million in 9MFY13 to RMB 141.3 million in 9MFY14. This was due mainly to the impairment of property, plant and equipment of about RMB 138.9 million. This increase was partially offset by the decrease in allowance for slow-moving inventories, and payment of accrued income tax for prior year of about RMB 6.0 million and RMB 2.7 million respectively.

Finance costs

The Group's finance costs increased by 13.2% or about RMB 5.1 million from RMB 38.8 million in 9MFY13 to RMB 43.9 million in 9MFY14. This is mainly attributable to the increase in average bank interest-bearing loans and borrowings and higher effective bank interest rates.

Taxation

The decrease in income tax expense was attributable to the loss-making subsidiaries across the Group and the loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, the effective tax rate in 9MFY14 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive loss increased by 227.2% from a net loss of RMB 81.8 million in 9MFY13 to a net loss of RMB 267.6 million in 9MFY14 due mainly to a 53.9% y-o-y decrease in gross profit of about RMB 86.9 million, and the increase in other operating expenses of about RMB 129.9 million, partly offset by the decreases in selling and distribution expenses of about RMB 27.0 million.

b) Statement of Financial Position

<u>GROUP</u>	<u>9MFY14</u>	<u>FY13</u>
Inventory turnover days	38	37
Trade receivable turnover days	31	27
Trade payable turnover days	33	32
Debt equity ratio	5.48	1.87

(i) Current assets

Current assets decreased by RMB 133.8 million from RMB 615.9 million as at 31 December 2013 to RMB 482.1 million as at 30 September 2014, due mainly to the decreases in inventories, trade receivables, and other receivables, deposits and prepayments of RMB 117.9 million, RMB 16.5 million and RMB 50.6 million respectively, which were offset by the increase in cash and cash equivalents of RMB 50.3 million, and the increase in amount owing by related parties of RMB 0.8 million. Trade receivables turnover days for 9MFY14 was 31 days as compared with 27 days for FY13. Inventory turnover days increased from 37 days in FY13 to 38 days in 9MFY14.

(ii) Non-current assets

The decrease of RMB 330.1 million in non-current assets was mainly due to the depreciation and impairment of RMB 71.0 million and RMB 138.9 million (impairment for 2013:Nil) respectively, which were partially offset by the capital expenditure of RMB 21.7 million.

(iii) Current liabilities

Current liabilities decreased by RMB 73.2 million from RMB 552.7 million as at 31 December 2013 to RMB 479.5 million as at 30 September 2014, due mainly to the decreases in trade payables, other payables and accruals, and amount owing to related parties of RMB 54.8 million, RMB 20.1 million and RMB 1.3 million respectively. The Group also repaid the interest-free loan from a Director of RMB 1.5 million and paid for the income tax of RMB 1.4 million for the year 2013. These decreases were offset by the increase in interest-bearing loans and borrowings of RMB 7.0 million. Trade payable turnover days was higher at 33 days, compared with 32 days for FY13.

The Group's debt equity ratio was 5.48 times as at end of 9MFY14 compared with 1.87 times as at end of FY13. This was due to the increase of RMB 22.1 million in total interest-bearing loans and borrowings and the decrease of RMB 267.6 million in total equity.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 10.7 million due to the increase of RMB 15.0 million in long-term interest-bearing loans and borrowings, and the decrease of RMB 4.4 million in deferred income.

(v) Shareholders' equity

As at 30 September 2014, shareholders' equity was lower than that as at 31 December 2013 due to the net loss of RMB 267.6 million incurred in 9MFY14.

c) Cash Flows

For 9MFY14, the Group experienced net operating cash inflow of RMB 87.1 million. This comprised operating profit before changes in working capital of negative RMB 22.2 million adjusted for changes in working capital of RMB 110.6 million and income taxes paid of RMB 1.4 million.

The change in working capital was the result of mainly:

- i) a decrease in inventory of RMB 120.5 million,
- ii) a decrease in trade receivables of RMB 16.6 million, and
- iii) a decrease in other receivables, deposits and prepayments of RMB 50.6 million,

which were offset by

- iv) a decrease in trade payables of RMB 54.8 million,
- v) a decrease in other payables and accruals of RMB 20.1 million, and
- vi) a decrease in amount owing to related parties of RMB 1.3 million.

Net cash used in investing activities amounted to RMB 27.0 million in 9MFY14. This was mainly for the purchase and construction of plant and equipment in our Henan plant and net increase in pledged cash deposits. These cash outflows were partially mitigated by the cash inflows of RMB 7.9 million arising from proceeds from the disposal of plant and equipment.

Net cash used in financing activities was RMB 23.4 million, mainly due to payment of interest expense of RMB 43.9 million and repayment of interest-free loan from a director of RMB 1.5 million, partially mitigated by the net increase of bank loan amounting to RMB 22.1 million. The additional bank loan was 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 3QFY14 are consistent with the commentary under section 10 of the announcement dated 12 August 2014 on the unaudited financial statements for the second quarter and half year ended 30 June 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

The Group continued to face an unfavorable condition that affected its revenue and profit margins. Although there was an improvement in average selling prices of its corn refining products by about 4.6% y-o-y, the average cost of raw corn materials for 3Q2014 had increased by about 17.6% over 2Q2014 or from RMB 2.15 per Kati to RMB 2.53 per Kati. Consequently, it adversely affected the Group's gross profit margins of all its corn sweetener products. The Group expects the cost of raw corn materials to be stable at the current level, if not rising marginally till the end of the current financial year. In addition, due to the lagging effect, the average selling prices are expected to face downward pressure because of the falling prices of cane sugar which decreased by about 8.3% in 3Q2014 over 2Q2014 in the domestic market.

The Group expects the domestic market restructuring due to the overcapacity in the corn sweetener industry and the sluggish domestic as well as export demand to continue to affect its business outlook. The Group is not certain about its market conditions 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 third quarter ended 30 September 2014.

13 Summary of Interested Person Transactions for the financial period ended 30 September 2014

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Nine months ended	Nine months ended
	30/09/2014	30/09/2013
	RMB'000	RMB'000
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 2014 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 November 2014