



# **LUZHOU BIO-CHEM TECHNOLOGY LIMITED**

(Company Registration Number: 200412523N)

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**First Quarter Results**

**Announcement for the Period**

**Ended 31 March 2014**

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## UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 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.

|                                                         | 3 months ended  |                 |                |
|---------------------------------------------------------|-----------------|-----------------|----------------|
|                                                         | 31/03/2014      | 31/03/2013      | Change         |
|                                                         | RMB'000         | RMB'000         | %              |
| Revenue                                                 | 605,055         | 797,367         | (24.1)         |
| Cost of sales                                           | (582,467)       | (740,289)       | (21.3)         |
| <b>Gross profit</b>                                     | <b>22,588</b>   | <b>57,078</b>   | <b>(60.4)</b>  |
| Other operating income                                  | 11,924          | 10,158          | 17.4           |
| Selling and distribution expenses                       | (28,840)        | (33,126)        | (12.9)         |
| Administrative expenses                                 | (33,863)        | (30,779)        | 10.0           |
| Other operating expenses                                | (658)           | (3,187)         | (79.4)         |
| Finance expenses                                        | (13,936)        | (12,345)        | 12.9           |
| <b>Loss before taxation</b>                             | <b>(42,785)</b> | <b>(12,201)</b> | <b>(250.7)</b> |
| Taxation                                                | -               | (3,002)         | (100.0)        |
| <b>Loss for the period and total comprehensive loss</b> | <b>(42,785)</b> | <b>(15,203)</b> | <b>(181.4)</b> |
| <b>Total comprehensive loss attributable to:</b>        |                 |                 |                |
| Equity holders                                          | (42,785)        | (15,203)        | (181.4)        |
| <b>Loss for the period and total comprehensive loss</b> | <b>(42,785)</b> | <b>(15,203)</b> | <b>(181.4)</b> |
| Gross profit margin                                     | 3.7%            | 7.2%            | (48.6)         |
| Net loss margin                                         | (7.1%)          | (1.9%)          | (273.7)        |
| Loss per share (RMB cents)                              |                 |                 |                |
| - basic                                                 | (10.8)          | (3.8)           | (184.2)        |
| - diluted                                               | (10.8)          | (3.8)           | (184.2)        |

## Notes to the Comprehensive Income Statement

|                                                              | 3 months ended |            | Change<br>% |
|--------------------------------------------------------------|----------------|------------|-------------|
|                                                              | 31/03/2014     | 31/03/2013 |             |
|                                                              | RMB'000        | RMB'000    |             |
| Profit before tax is arrived at after charging/ (crediting): |                |            |             |
| Interest income                                              | (92)           | (91)       | 1.1         |
| Interest expense on borrowings                               | 13,936         | 12,345     | 12.9        |
| Depreciation of plant and equipment                          | 26,281         | 25,876     | 1.6         |
| Amortisation of land use rights                              | 385            | 306        | 25.8        |
| Amortisation of government grants                            | (1840)         | (1,841)    | (0.1)       |
| Foreign currencies exchange loss                             | 172            | 583        | (70.5)      |
| Loss on disposal of plant and equipment                      | 365            | 234        | 56.0        |
| Reversal of allowance for slow-moving inventory              | (1,012)        | -          | NA          |

NA – Not applicable

**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-2014           | 31-Dec-2013           | 31-Mar-2014           | 31-Dec-2013           |
|                                             | RMB'000               | RMB'000               | RMB'000               | RMB'000               |
| <b>ASSETS:-</b>                             |                       |                       |                       |                       |
| <b>Current assets</b>                       |                       |                       |                       |                       |
| Inventories                                 | 238,827               | 273,170               | -                     | -                     |
| Trade receivables                           | 213,278               | 191,700               | -                     | -                     |
| Other receivables, deposits and prepayments | 98,929                | 84,333                | 20,805                | 807                   |
| Amount owing by a related party             | 2,325                 | -                     | -                     | -                     |
| Cash and cash equivalents <sup>(1)</sup>    | 163,314               | 66,695                | 2,155                 | 3,867                 |
|                                             | <u>716,673</u>        | <u>615,898</u>        | <u>22,960</u>         | <u>4,674</u>          |
| <b>Non-current assets</b>                   |                       |                       |                       |                       |
| Investment in subsidiaries                  | -                     | -                     | 372,654               | 372,654               |
| Property, plant and equipment               | 880,985               | 907,214               | 49                    | 68                    |
| Land use rights                             | 47,871                | 48,256                | -                     | -                     |
|                                             | <u>928,856</u>        | <u>955,470</u>        | <u>372,703</u>        | <u>372,722</u>        |
| <b>Total assets</b>                         | <u>1,645,529</u>      | <u>1,571,368</u>      | <u>395,663</u>        | <u>377,396</u>        |
| <b>LIABILITIES</b>                          |                       |                       |                       |                       |
| <b>Current liabilities</b>                  |                       |                       |                       |                       |
| Trade payables                              | 217,781               | 215,067               | -                     | -                     |
| Other payables and accruals                 | 104,752               | 109,021               | 658                   | 754                   |
| Amount owing to related parties             | 562                   | 2,520                 | 4,932                 | 4,374                 |
| Interest-free loan from a Director          | 11,302                | 11,302                | 11,302                | 11,302                |
| Interest-bearing loans and borrowings       | 272,000               | 207,000               | -                     | -                     |
| Deferred income                             | 7,364                 | 7,364                 | -                     | -                     |
| Income tax payable                          | (877)                 | 474                   | -                     | -                     |
|                                             | <u>612,884</u>        | <u>552,748</u>        | <u>16,892</u>         | <u>16,430</u>         |
| <b>Non-current liabilities</b>              |                       |                       |                       |                       |
| Interest-bearing loans and borrowings       | 621,000               | 562,350               | -                     | -                     |
| Deferred income                             | 41,839                | 43,679                | -                     | -                     |
| Deferred taxation                           | 589                   | 589                   | -                     | -                     |
|                                             | <u>663,428</u>        | <u>606,618</u>        | <u>-</u>              | <u>-</u>              |
| <b>Total liabilities</b>                    | <u>1,276,312</u>      | <u>1,159,366</u>      | <u>16,892</u>         | <u>16,430</u>         |
| <b>NET ASSETS</b>                           | <u><b>369,217</b></u> | <u><b>412,002</b></u> | <u><b>378,771</b></u> | <u><b>360,966</b></u> |
| <b>EQUITY</b>                               |                       |                       |                       |                       |
| Share capital                               | 282,820               | 282,820               | 282,820               | 282,820               |
| Statutory reserves                          | 90,893                | 90,893                | -                     | -                     |
| Accumulated profits/(loss)                  | (4,496)               | 38,289                | 95,951                | 78,146                |
| <b>TOTAL EQUITY</b>                         | <u><b>369,217</b></u> | <u><b>412,002</b></u> | <u><b>378,771</b></u> | <u><b>360,966</b></u> |

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

|                        | <b>31- Mar-2014</b> | <b>31-Dec-2013</b> |
|------------------------|---------------------|--------------------|
|                        | <b>RMB'000</b>      | <b>RMB'000</b>     |
| Cash and bank balances | 162,864             | 66,245             |
| Pledged cash deposits  | 450                 | 450                |
|                        | <b>163,314</b>      | <b>66,695</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 31-Mar-2014</b> |                  | <b>As at 31-Dec-2013</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>   |
| 87,000                   | 196,302          | 62,000                   | 156,302          |

**Amount repayable after one year**

| <b>As at 31-Mar-2014</b> |                  | <b>As at 31-Dec-2013</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>   |
| 277,000                  | 344,000          | 314,350                  | 248,000          |

**Details of any collateral**

As at 31 March 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; and
- (v) corporate guarantee given by third parties.

**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>1st quarter ended</b> |                    |
|---------------------------------------------------------------|--------------------------|--------------------|
|                                                               | <b>31-Mar-2014</b>       | <b>31-Mar-2013</b> |
|                                                               | <b>RMB'000</b>           | <b>RMB'000</b>     |
| <b>Operating activities</b>                                   |                          |                    |
| Loss before taxation                                          | (42,785)                 | (12,201)           |
| Adjustments for:-                                             |                          |                    |
| Depreciation of plant and equipment                           | 26,281                   | 25,876             |
| Amortisation of land use rights                               | 385                      | 306                |
| Amortisation of government grants                             | (1,840)                  | (1,841)            |
| Loss on disposal of plant and equipment                       | 365                      | 234                |
| Interest expense                                              | 13,936                   | 12,345             |
| Interest income                                               | (92)                     | (91)               |
| Reversal of allowance for slow-moving inventory               | (1,012)                  | -                  |
| <b>Operating profit before working capital changes</b>        | <b>(4,762)</b>           | <b>24,628</b>      |
| Changes in working capital:                                   |                          |                    |
| Inventories                                                   | 35,355                   | (56,990)           |
| Trade receivables                                             | (21,578)                 | (1,044)            |
| Other receivables, deposits and prepayments                   | (14,596)                 | 1,213              |
| Amount owing by related parties                               | (2,325)                  | (600)              |
| Trade payables                                                | 2,714                    | 19,305             |
| Other payables and accruals                                   | (4,269)                  | (7,674)            |
| Amount owing to related parties                               | (1,958)                  | (2,934)            |
| <b>Cash used in operations</b>                                | <b>(11,419)</b>          | <b>(24,096)</b>    |
| Income taxes paid                                             | (1,351)                  | (1,243)            |
| <b>Net cash used in operating activities</b>                  | <b>(12,770)</b>          | <b>(25,339)</b>    |
| <b>Investing activities</b>                                   |                          |                    |
| Purchase of plant and equipment                               | (5,179)                  | (15,229)           |
| Proceeds from disposal of plant and equipment                 | 4,762                    | 5,966              |
| Proceeds from government grants                               | -                        | 10,000             |
| Interest income received                                      | 92                       | 91                 |
| <b>Net cash generated from/(used in) investing activities</b> | <b>(325)</b>             | <b>828</b>         |
| <b>Financing activities</b>                                   |                          |                    |
| Acquisition of non-controlling interest in a subsidiary       | -                        | (6,000)            |
| Interest expense paid                                         | (13,936)                 | (12,345)           |
| Repayment of interest - bearing loans and borrowings          | (226,350)                | (180,350)          |
| Proceeds from interest - bearing loans and borrowings         | 350,000                  | 250,350            |
| <b>Net cash generated from financing activities</b>           | <b>109,714</b>           | <b>51,655</b>      |
| <b>Net increase in cash and bank balances</b>                 | <b>96,619</b>            | <b>27,144</b>      |
| <b>Cash and bank balances at beginning of period</b>          | <b>66,245</b>            | <b>119,520</b>     |
| <b>Cash and bank balances at end of period</b>                | <b>162,864</b>           | <b>146,664</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 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  |

|                                         | ← 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 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  |

**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 |

|                                         | 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 |

# 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 2013. In addition, there were no outstanding convertibles or treasury shares as at 31 March 2014 and 31 March 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     |             |
|-----------------|-------------|-------------|
|                 | 31-Mar-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 3-month period ended 31 March 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**

|                                                                       | <b><u>3 months ended</u></b> |                           |
|-----------------------------------------------------------------------|------------------------------|---------------------------|
|                                                                       | <b><u>31-Mar-2014</u></b>    | <b><u>31-Mar-2013</u></b> |
|                                                                       | RMB (cents)                  | RMB (cents)               |
| (Loss)/Earnings per share                                             |                              |                           |
| (a) Based on weighted average number of ordinary shares in issue; and | (10.8)                       | (3.8)                     |
| Weighted average number of shares in issue                            | 396,000,000                  | 396,000,000               |
| (b) On a fully diluted basis                                          | (10.8)                       | (3.8)                     |

- 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**

|                                    | <b>Group</b>       |                    | <b>Company</b>     |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | <b>31-Mar-2014</b> | <b>31-Dec-2013</b> | <b>31-Mar-2014</b> | <b>31-Dec-2013</b> |
| Net asset value per ordinary share | RMB 93.2 cents     | RMB 104.0 cents    | RMB 95.6 cents     | RMB 91.2 cents     |

#### **31-Mar-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 RMB369,217,000 and the Company's net asset value as at the end of the period of RMB 378,771,000 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. 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**

**1QFY14 versus 1QFY13**

**Revenue**

|               | <b>1QFY14</b> |      | <b>1QFY13</b> |      | <b>Change</b> |
|---------------|---------------|------|---------------|------|---------------|
|               | RMB'000       | %    | RMB'000       | %    | %             |
| Corn refining | 523,479       | 86.5 | 687,398       | 86.2 | (23.8)        |
| Animal feeds  | 79,403        | 13.1 | 100,554       | 12.6 | (21.0)        |
| Others        | 2,173         | 0.4  | 9,415         | 1.2  | (76.9)        |
| Total         | 605,055       | 100  | 797,367       | 100  | (24.1)        |

The Group's revenue for 1QFY14 decreased by RMB192.3 million, or 24.1% year on year ("y-o-y") due mainly to decreases in selling prices of our corn refining products, which decreased by 8.2%. The decreases were due mainly to weak export and domestic market demand.

For 1QFY14, sales volume for the corn refining segment increased from 242K ("K"=1,000) tonnes to 249K tonnes or about 3.0% y-o-y, due mainly to the increase in the sales volumes of corn sweeteners of about 8.5%. This increase was partially mitigated by the decreases in the sales volumes of corn starch and by-products of about 26.5% and 1.9% respectively.

The prices of the Group's corn refining products decreased by 8.2% y-o-y. The decrease was attributable to the decreases in prices of corn sweeteners, corn starch and by-products of about 8.0%, 0.9% and 7.8% respectively.

The Group's export revenue in 1QFY14 decreased by 6.3% y-o-y, while export revenue as a percentage of total revenue increased from 5.3% in 1QFY13 to 6.5% in 1QFY14.

**1QFY14 versus 1QFY13**

**Gross profit and gross profit margin**

|               | <b>1QFY14</b> |        | <b>1QFY13</b> |     |
|---------------|---------------|--------|---------------|-----|
|               | RMB'000       | %      | RMB'000       | %   |
| Corn refining | 22,088        | 4.2    | 53,551        | 7.8 |
| Animal feeds  | 972           | 1.2    | 3,153         | 3.1 |
| Others        | (472)         | (21.7) | 374           | 4.0 |
| Total         | 22,588        | 3.7    | 57,078        | 7.2 |

During 1QFY14, gross profit decreased by 60.4% y-o-y to RMB 22.6 million. Revenue decreased by 24.1% y-o-y, while the cost of sales for the corresponding period decreased by 21.3%, among which the cost of raw corn material decreased by 21.5%. This was mainly due to the decrease in corn prices of about 5.2% y-o-y.

The Group's animal feeds segment made a gross profit of RMB 1.0 million in 1QFY14, decreasing by 69.2% compared with 1QFY13. This were mainly due to the significant decreases in both sales volume (17.8%) and selling price (3.9%).

The others segment made a gross loss of RMB 0.5 million in 1QFY14, mainly due to the loss of RMB 0.5 million from our Hongzhou subsidiary.

### **Other operating income**

Other operating income increased from RMB 10.2 million in 1QFY13 to RMB 11.9 million in 1QFY14, due mainly to the increases in grant and subsidies and penalties from suppliers.

### **Operating expenses**

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

Selling and distribution expenses decreased by 12.9% from RMB 33.1 million in 1QFY13 to RMB 28.8 million in 1QFY14, which is in line with the decrease in revenue. This is mainly attributable to the decrease in salary and the sales taxes and dues.

#### **- Administrative expenses**

The Group's administrative expenses increased by 10.0% from RMB 30.8 million in 1QFY13 to RMB 33.9 million in 1QFY14. This was mainly due to the increases in depreciation charge of plant and equipment resulting from the temporary stoppage of production of certain products in our Liaoning factory and Yishui Branch. This increase was partially offset by the decrease in utilities.

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

The Group's other operating expenses decreased by 79.4% from RMB 3.2 million in 1QFY13 to RMB 0.7 million in 1QFY14 and this is mainly due to the decrease in foreign currencies exchange loss, and the payment of accrued income tax for prior year in 1QFY13.

### **Finance costs**

The Group's finance costs increased by 12.9% from RMB 12.3 million in 1QFY13 to RMB 13.9 million in 1QFY14. This is attributable to the increase in interest-bearing loans and borrowings.

### **Taxation**

The decrease in income tax expense was due to the losses across the whole Group, and the loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits.

## **Total comprehensive income**

The Group's total comprehensive income decreased by 181.4% from a loss of RMB 15.2 million in 1QFY13 to a loss of RMB 42.8 million in 1QFY14 due mainly to a 60.4% y-o-y decrease in gross profit or about RMB 34.5 million, partly offset by the decreases in other operating expenses and income tax expense of RMB 2.5 million and RMB 3.0 million respectively.

## **b) Statement of Financial Position**

| <b><u>GROUP</u></b>            | <b><u>1QFY14</u></b> | <b><u>FY13</u></b> |
|--------------------------------|----------------------|--------------------|
| Inventory turnover days        | 40                   | 37                 |
| Trade receivable turnover days | 31                   | 27                 |
| Trade payable turnover days    | 34                   | 32                 |
| Debt equity ratio              | 2.42                 | 1.87               |

### **(i) Current assets**

Current assets increased by RMB 100.8 million from RMB 615.9 million as at 31 December 2013 to RMB 716.7 million as at 31 March 2014, due mainly to the increase in trade receivables of RMB 21.6 million, the increase in other receivables, deposits and prepayments of RMB 14.6 million (mainly for prepayment to suppliers for purchase of raw materials), and the increase in cash and cash equivalents of RMB 96.6 million. The inventories decreased by RMB 34.3 million. Trade receivables turnover days for 1QFY14 was 31 days as compared with 27 days for FY13. Inventory turnover days increased from 37 days in FY13 to 40 days in 1QFY14.

### **(ii) Non-current assets**

The decrease of RMB 26.6 million in non-current assets was the net effect of capital expenditure and depreciation.

### **(iii) Current liabilities**

Current liabilities increased by RMB 60.1 million from RMB 552.7 million as at 31 December 2013 to RMB 612.9 million as at 31 March 2014, due mainly to the increase in trade payables and interest-bearing loans and borrowings of RMB 2.7 million and RMB 65.0 million respectively. Other payables and accruals decreased by RMB 4.3 million, and the amount owing to related parties decreased by RMB 2.0 million. Trade payable turnover days was higher at 34 days, compared with 32 days for FY13.

The Group's debt equity ratio was 2.42 times as at end of 1QFY14 compared with 1.87 times as at end of FY13. This was due to the increase of RMB 123.7 million in total interest-bearing loans and borrowings and the decrease of RMB 42.8 million in total equity.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 56.8 million due to the increase of RMB 58.7 million in long-term interest-bearing loans and borrowings, and the decrease of RMB 1.8 million in deferred income.

(v) Shareholders' equity

As at 31 March 2014, shareholders' equity was lower than that as at 31 December 2013 due to the net loss of RMB 42.8 million incurred in 1QFY14.

**c) Cash Flows**

For 1QFY14, the Group had net operating cash outflow of RMB 12.8 million. This comprised operating loss before changes in working capital of RMB 4.8 million adjusted for net negative working capital changes of RMB 6.7 million and income tax paid of RMB 1.4 million.

The net negative working capital changes were mainly the result of:

- i) an increase in trade receivables of RMB 21.6 million,
- ii) an increase in other receivables, deposits and prepayments of RMB 14.6 million,
- iii) an increase in amount owing by related parties of RMB 2.3 million,
- iv) a decrease in other payable and accruals of RMB 4.3 million, and
- v) a decrease in amount owing to related parties of RMB 2.0 million,

which were offset by

- vi) a decrease in inventory of RMB 35.4 million, and
- vii) an increase in trade payables of RMB 2.7 million.

Net cash used in investing activities amounted to RMB 0.3 million in 1QFY14. This was mainly for purchase of plant and equipment which was partially offset by cash inflows of RMB 4.8 million arising from proceeds from the disposal of plant and equipment.

Net cash inflow from financing activities was RMB 109.7 million, mainly due to the additional bank loan amounting to RMB 123.7 million and net of payment of interest expense of RMB13.9 million. The additional bank loan was used to finance the working capital need.

**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 1QFY14 are consistent with the commentary under section 10 of the announcement dated 28 February 2014 on the unaudited financial statements for the fourth quarter and full year ended 31 December 2013.

**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**

While the cost of raw corn materials have been trending downward in the first quarter of 2014, we continue to face the downward pressure on the selling prices of our corn sweetener products due to the fall in the prices of cane sugar and the oversupply of corn sweetener products in the domestic market. We expect sales volume and revenue to remain poor due to the weak export and domestic demand. As the export and domestic markets remain to be largely affected by the global economic conditions, the Group remains cautious in its outlook due to the unfavorable selling prices that will continue to affect our gross and net profit margins.

**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 2014.

**13 Summary of Interested Person Transactions for the financial period ended 31 March 2014**

|                                    | 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 |
|                                    | 31/03/2014                                                                                                                                  | 31/03/2013         |
|                                    | 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 2014 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 2014