



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

First Quarter Results

Announcement for the Period

Ended 31 March 2018



UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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		Change %
	31/03/2018 RMB'000	31/03/2017 RMB'000	
Revenue	517,097	487,542	6.1
Cost of sales	(453,593)	(423,844)	7.0
Gross profit	63,504	63,698	(0.3)
Other operating income	5,273	6,712	(21.4)
Selling and distribution expenses	(30,971)	(34,383)	(9.9)
Administrative expenses	(21,695)	(26,419)	(17.9)
Other operating expenses	(703)	(410)	71.5
Finance expenses	(11,391)	(13,326)	(14.5)
Profit/(loss) before taxation	4,017	(4,128)	197.3
Taxation	(1,005)	(266)	277.8
Profit/(loss) for the period and total comprehensive loss	3,012	(4,394)	168.5
Total comprehensive profit/(loss) attributable to:			
Equity holders	3,012	(4,394)	168.5
Gross profit margin	12.3%	13.1%	(6.1)
Net profit/(loss) margin	0.6%	(0.9%)	166.7
Profit/(loss) per share (RMB cents)			
- basic	0.5	(0.7)	171.4
- diluted	0.5	(0.7)	171.4

Notes to the Comprehensive Income Statement

	3 months ended		Change %
	31/03/2018	31/03/2017	
	RMB'000	RMB'000	
Profit/(loss) before tax is arrived at after charging/ (crediting):			
Interest income	(496)	(678)	(26.8)
Interest expense on borrowings	11,391	13,326	(14.5)
Depreciation of plant and equipment	20,304	18,961	7.1
Amortisation of land use rights	267	267	-
Amortisation of government grants	(1,339)	(1,674)	(20.0)
Foreign currencies exchange gain	(57)	(107)	(46.7)
Gain on disposal of plant and equipment	(46)	(348)	(86.8)
Reversal of allowance for doubtful trade receivables	-	(5)	-

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31-Mar-2018	31-Dec-2017	31-Mar-2018	31-Dec-2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	208,204	188,437	-	-
Trade receivables	184,274	177,594	-	-
Other receivables, deposits and prepayments	54,138	45,359	61	35
Income tax prepaid	-	684	-	-
Cash and cash equivalents ⁽¹⁾	184,007	190,258	1,466	3,266
	<u>630,623</u>	<u>602,332</u>	<u>1,527</u>	<u>3,301</u>
Non-current assets				
Investment in subsidiaries	-	-	336,954	336,954
Available for sale investment	2,060	2,060	-	-
Property, plant and equipment	621,596	640,389	-	-
Land use rights	43,408	43,675	-	-
	<u>667,064</u>	<u>686,124</u>	<u>336,954</u>	<u>336,954</u>
Total assets	<u>1,297,687</u>	<u>1,288,456</u>	<u>338,481</u>	<u>340,255</u>
LIABILITIES				
Current liabilities				
Trade payables	279,508	247,185	-	-
Other payables and accruals	81,275	93,795	774	995
Amount owing to related parties	2,000	1,650	-	-
Amount owing to subsidiaries	-	-	1,327	836
Amount owing to a Director	163	119	163	119
Interest-bearing loans and borrowings	220,000	220,000	-	-
Deferred income	5,307	5,355	-	-
Income tax payable	169	-	-	-
	<u>588,422</u>	<u>568,104</u>	<u>2,264</u>	<u>1,950</u>
Non-current liabilities				
Interest-bearing loans and borrowings	564,150	577,150	-	-
Amount owing to a Director	9,864	9,864	9,864	9,864
Deferred income	36,302	37,401	-	-
Deferred taxation	589	589	-	-
	<u>610,905</u>	<u>625,004</u>	<u>9,864</u>	<u>9,864</u>
Total liabilities	<u>1,199,327</u>	<u>1,193,108</u>	<u>12,128</u>	<u>11,814</u>
NET ASSETS	<u>98,360</u>	<u>95,348</u>	<u>326,353</u>	<u>328,441</u>

EQUITY

Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profits	(301,743)	(304,755)	17,630	19,718
TOTAL EQUITY	98,360	95,348	326,353	328,441

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

	31-Mar-2018	31-Dec-2017
	RMB'000	RMB'000
Cash and bank balances	86,727	92,978
Pledged cash deposits	97,280	97,280
	184,007	190,258

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-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
200,000	20,000	200,000	20,000

Amount repayable after one year

As at 31-Mar-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
404,150	169,864	397,150	189,864

Details of any collateral

As at 31 March 2018, 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.

	3 months ended	
	31-Mar-2018	31-Mar-2017
	RMB'000	RMB'000
Operating activities		
Profit/(loss) before taxation	4,017	(4,128)
Adjustments for:-		
Depreciation of plant and equipment	20,304	18,961
Amortisation of land use rights	267	267
Amortisation of government grants	(1,339)	(1,674)
Gain on disposal of plant and equipment	(46)	(348)
Interest expense	11,391	13,326
Interest income	(496)	(678)
Reversal of allowance for doubtful trade receivables	-	(5)
Operating profit before working capital changes	34,098	25,721
Changes in working capital:		
Inventories	(19,767)	(5,401)
Trade receivables	(6,680)	7,735
Other receivables, deposits and prepayments	(8,779)	7,625
Amount owing by related parties	-	350
Trade payables	32,323	(17,585)
Other payables and accruals	(12,520)	168
Amount owing to related parties	350	-
Cash generated from operations	19,025	18,613
Income taxes paid	(152)	(1,138)
Net cash generated from operating activities	18,873	17,475
Investing activities		
Purchase of plant and equipment	(3,929)	(11,011)
Proceeds from disposal of plant and equipment	2,464	1,802
Proceeds from government grants	192	2,000
Interest income received	496	678
Net cash (used in) investing activities	(777)	(6,531)
Financing activities		
Interest expense paid	(11,347)	(13,326)
Increase in pledged cash deposits	-	(78,029)
Repayment of interest - bearing loans and borrowings	(293,000)	(403,000)
Proceeds from interest - bearing loans and borrowings	280,000	492,000
Net cash (used in) financing activities	(24,347)	(2,355)
Net (decrease)/increase in cash and bank balances	(6,251)	8,589
Cash and bank balances at beginning of period	92,978	155,172
Cash and bank balances at end of period	86,727	163,761

- 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 2018	308,723	91,380	(304,755)	95,348
Total comprehensive income for the period	-	-	3,012	3,012
Balance as at 31 March 2018	308,723	91,380	(301,743)	98,360

	← 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 2017	308,723	91,380	(265,379)	134,724
Total comprehensive loss for the period	-	-	(4,394)	(4,394)
Balance as at 31 March 2017	308,723	91,380	(269,773)	130,330

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	308,723	19,718	328,441
Total comprehensive loss for the period	-	(2,088)	(2,088)
Balance as at 31 March 2018	308,723	17,630	326,353

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2017	308,723	69,141	377,864
Total comprehensive loss for the period	-	(2,055)	(2,055)
Balance as at 31 March 2017	308,723	67,086	375,809

[#] 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2017. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 31 March 2018 and 31 March 2017.

- 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-2018	31-Dec-2017
Ordinary shares	594,000,000	594,000,000

- 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

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 2018. 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 2018. 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 FY2017.

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-2018</u>	<u>31-Mar-2017</u>
	RMB (cents)	RMB (cents)
Profit/(loss) per share		
(a) Based on weighted average number of ordinary shares in issue; and	0.5	(0.7)
Weighted average number of shares in issue	594,000,000	594,000,000
(b) On a fully diluted basis	0.5	(0.7)

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	
	31-Mar-2018	31-Dec-2017	31-Mar-2018	31-Dec-2017
Net asset value per ordinary share	RMB 16.6 cents	RMB 16.1 cents	RMB 54.9 cents	RMB 55.3 cents

31-Mar-2018

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 98,360,000 and the Company's net asset value as at the end of the period of RMB 326,353,000, divided by the share capital of 594,000,000 ordinary shares.

31-Dec-2017

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 95,348,000 and the Company's net asset value as at the end of the year of RMB 328,441,000, divided by the share capital of 594,000,000 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

1QFY18 versus 1QFY17

Revenue

	1QFY18		1QFY17		Change
	RMB'000	%	RMB'000	%	%
Corn refining	516,920	100.0	487,398	100.0	6.1
Others	177	-	144	-	22.9
Total	517,097	100.0	487,542	100.0	6.1

The Group's revenue for 1QFY18 increased by RMB 29.6 million or 6.1% year on year ("y-o-y"), due mainly to the increase in revenue of our corn refining segment by 6.1%.

For 1QFY18, sales volume for the corn refining segment increased slightly from 247K ("K"=1,000) tonnes to 248K tonnes or about 0.6% y-o-y, due mainly to the increase in the sales volume of by-products of about 5.1%, partially offset by the decrease in the sales volume of corn starch of about 2K tonnes.

The prices of the corn refining products decreased by 3.7% y-o-y due to stiff competition. This decrease was attributable to the decreases in price of corn sweeteners and by-products of about 1.1% and 15.3% respectively.

The Group's export revenue in 1QFY18 decreased by 10.4% y-o-y due to the lower selling price as a result of stiff price competition from the export market, while export revenue as a percentage of total revenue decreased from 3.2% in 1QFY17 to 2.7% in 1QFY18.

1QFY18 versus 1QFY17

Gross profit and gross profit margin

	1QFY18		1QFY17	
	RMB'000	%	RMB'000	%
Corn refining	62,988	12.2	63,171	13.0
Others	516	291.3	527	365.8
Total	63,504	12.3	63,698	13.1

During 1QFY18, gross profit decreased by 0.3% y-o-y to RMB 63.5 million. Revenue increased by 6.1% y-o-y, while the cost of sales increased to a larger extent by 7.0%. Group gross profit margin decreased by 0.8

percentage points or 6.1% y-o-y to 12.3%. This was mainly due to the increase in corn raw material prices of about 12.9% and the decrease in price of corn refining products.

The Group has stopped the production of animal feed products since 1QFY16 to minimise our net loss.

The others segment including our Hongzhou subsidiary made a gross profit of RMB 0.5 million in 1QFY18.

Other operating income

Other operating income decreased by 21.4% from RMB 6.7 million in 1QFY17 to RMB 5.3 million in 1QFY18, due mainly to the decrease in government grant and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 9.9% from RMB 34.4 million in 1QFY17 to RMB 31.0 million in 1QFY18. This was mainly attributable to the decrease in transportation costs.

- Administrative expenses

The Group's administrative expenses decreased by 17.9% from RMB 26.4 million in 1QFY17 to RMB 21.7 million in 1QFY18. This was partly due to the reclassification of certain depreciation charge and other manufacturing overheads to operating expenses as a result of production halts of certain products.

- Other operating expenses

The Group's other operating expenses increased by about RMB 0.3 million from RMB 0.4 million in 1QFY17 to about RMB 0.7 million in 1QFY18. This was mainly due to the adjustment to the accrued corn added-value tax for prior year.

Finance expenses

The Group's finance expenses decreased by 14.5% from RMB 13.3 million in 1QFY17 to RMB 11.4 million in 1QFY18. This was attributable to the decrease in interest costs as a result of the decrease in bank loans.

Taxation

The increase in income tax expense was due to the increase in net profit generated from our Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, the effective tax rate in 1QFY18 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income increased by 168.5% from a net loss of RMB 4.4 million in 1QFY17 to a net profit of RMB 3.0 million in 1QFY18, due mainly to the decreases in administrative expenses, selling and distribution expenses and finance expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1QFY18</u>	<u>FY17</u>
Inventory turnover days	40	36
Trade receivable turnover days	32	32
Trade payable turnover days	53	48
Debt equity ratio	8.07	8.46

(i) Current assets

Current assets increased by RMB 28.3 million from RMB 602.3 million as at 31 December 2017 to RMB 630.6 million as at 31 March 2018, due mainly to the increase in inventories of RMB 19.8 million, the increase in trade receivables of RMB 6.7 million, and the increase in other receivables, deposits and prepayments of RMB 8.8 million, which were partially offset by the decrease in cash and cash equivalents of RMB 6.3 million. Trade receivable turnover days was 32 days in 1QFY18, remaining the same as last year. Inventory turnover days was higher at 40 days in 1QFY18 as compared with 36 days for FY17.

(ii) Non-current assets

The decrease in non-current assets of RMB 19.1 million was mainly due to the depreciation of RMB 20.6 million and the disposal of plant and equipment of RMB 2.4 million, which were partially offset by the capital expenditure of RMB 3.9 million.

(iii) Current liabilities

Current liabilities increased by RMB 20.3 million from RMB 568.1 million as at 31 December 2017 to RMB 588.4 million as at 31 March 2018, due mainly to the increase in trade payables of RMB 32.3 million, which was partially offset by the decrease in other payables and accruals of RMB 12.5 million. Trade payable turnover days was higher at 53 days, compared with 48 days for FY17.

The Group's debt equity ratio was 8.07 times as at 31 March 2018 compared with 8.46 times as at 31 December 2017, and the net debt equity ratio was 6.20 times as at 31 March 2018 (31 December 2017: 6.47 times). This was due to the decrease of RMB 13.0 million in total interest-bearing loans and borrowings and the increase of RMB 3.0 million in total equity resulting from the net profit in 1QFY18.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 14.1 million due to the decrease in long-term interest-bearing loans of RMB 13.0 million and the decrease in deferred income of RMB 1.1 million.

(v) Shareholders' equity

As at 31 March 2018, shareholders' equity was higher than that as at 31 December 2017 due to the net profit of RMB 3.0 million in 1QFY18.

c) Cash Flows

For 1QFY18, the Group had net operating cash inflow of RMB 18.9 million. This comprised operating profit before changes in working capital of RMB 34.1 million, adjusted for increase in working capital of RMB 15.1 million and income tax paid of RMB 0.2 million.

The changes in working capital were mainly the result of:

- i) an increase in inventory of RMB 19.8 million;
- ii) an increase in trade receivables of RMB 6.7 million;
- iii) an increase in other receivables, deposits and prepayments of RMB 8.8 million; and
- iv) a decrease in other payables and accruals of RMB 12.5 million,

which were partially offset by

- v) an increase in trade payables of RMB 32.3 million.

Net cash used in investing activities amounted to RMB 0.8 million in 1QFY18. This was mainly due to the equipment upgrading expenditure and purchase of packaging containers for our finished products. These cash outflows were partially mitigated by the cash inflow arising from proceeds from the disposal of plant and equipment of RMB 2.5 million.

Net cash used in financing activities was RMB 24.3 million, mainly due to the interest expense of RMB 11.3 million and the net decrease in total bank loans of RMB 13.0 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 1QFY18 are consistent with the commentary under section 10 of the announcement dated 27 February 2018 on the unaudited financial statements for the fourth quarter and full year ended 31 December 2017.

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 China economy continues on its expansion plan with a shift in focus to high-quality growth instead of high-speed growth. The overriding priority for the central government is to manage and prevent major financial risks within the Chinese economy. The tightening of financial controls is expected to affect local businesses in terms of costs and sources of funds. The environmental pollution controls is another area which the central government is focusing on in its determination to eliminate polluted air. Measures to close down polluting factories and making businesses more accountable for environmental damage have increased the costs of many manufacturing companies.

The Group is facing the challenges of these changes in the government policies. In particular, the Group is experiencing higher costs of bank borrowing to finance its operations. In addition, the ongoing upgrading of plants and equipment to keep up with the environmental control requirements has also increased the costs of its production. Hence, the Group expects another phase of market consolidation in the corn sweeteners industry as the high cost of production and over-capacity have become unsustainable for smaller manufacturing companies.

Domestically, the supply of raw corn material has been tightening since the beginning of 2018, causing an upward cost pressure for our production. The Group expects demand to be sluggish in the short to mid-term due to the threat of a full-blown trade war between China and the US. In particular, it would affect the demand for our products from the Group's downstream manufacturers.

In view of the uncertainty in the global economy, coupled with the ongoing restructuring of the Chinese domestic economy, the Group is cautious of its business outlook in 2018.

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 or recommended for the first quarter ended 31 March 2018.

13 Summary of Interested Person Transactions for the financial period ended 31 March 2018

	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
	31/03/2018	31/03/2017
	RMB'000	RMB'000
Rental expenses to Shaanxi Luzhou	525	525
Interest payable for loan granted by Niu Ji Xing	44	-

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

Mr Niu Jiu Xing (Executive Chairman and CEO of the Company) granted a loan of SGD2.0 million to the Group at the interest rate of 1.88% per annum.

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 2018 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

15 Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
27 April 2018