



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

Fourth Quarter and

Full Year Results

Announcement for the Period

Ended 31 December 2019

UNAUDITED FINANCIAL STATEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2019

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.

	4QFY19	4QFY18	Change	FY19	FY18	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	558,193	560,433	(0.4)	2,042,154	2,222,810	(8.1)
Cost of sales	(488,639)	(507,585)	(3.7)	(1,860,856)	(2,006,807)	(7.3)
Gross profit	69,554	52,848	31.6	181,298	216,003	(16.1)
Other operating income	5,329	6,656	(19.9)	21,468	27,754	(22.6)
Selling and distribution expenses	(25,386)	(29,232)	(13.2)	(108,492)	(124,247)	(12.7)
Administrative expenses	(25,278)	(45,212)	(44.1)	(96,605)	(113,632)	(15.0)
Other operating expenses	(29,776)	(42,982)	(30.7)	(31,833)	(47,325)	(32.7)
Finance expenses	(9,305)	(10,223)	(9.0)	(41,121)	(44,022)	(6.6)
(Loss) before taxation	(14,862)	(68,145)	(78.2)	(75,285)	(85,469)	(11.9)
Income tax expense	(4,879)	(2,285)	113.5	(13,067)	(5,045)	159.0
(Loss) for the period, representing total comprehensive (loss)	(19,741)	(70,430)	(72.0)	(88,352)	(90,514)	(2.4)
Total comprehensive (loss) attributable to:						
Owners of the Company	(19,741)	(70,430)	(72.0)	(88,352)	(90,514)	(2.4)
Gross profit margin	12.5%	9.4%	33.0	8.9%	9.7%	(8.2)
Net (loss) margin	(3.5%)	(12.6%)	(72.2)	(4.3%)	(4.1%)	4.9
(Loss) per share (RMB cents)						
- Basic	(3.3)	(11.9)	(72.3)	(14.9)	(15.2)	(2.0)
- Diluted	(3.3)	(11.9)	(72.3)	(14.9)	(15.2)	(2.0)

Notes to the Comprehensive Income Statement

	4QFY19 RMB'000	4QFY18 RMB'000	Change %	FY19 RMB'000	FY18 RMB'000	Change %
(Loss) before tax is arrived at after charging/ (crediting)						
Interest income	(98)	(42)	133.3	(1,331)	(1,753)	(24.1)
Interest expense on borrowings	9,305	10,223	(9.0)	41,121	44,022	(6.6)
Depreciation of plant and equipment	12,780	19,746	(35.3)	58,857	79,784	(26.2)
Amortisation of land use rights	268	267	0.4	1,070	1,069	0.1
Amortisation of government grants	(1,261)	(1,349)	(6.5)	(5,046)	(5,384)	(6.3)
Foreign exchange loss/(gain) (net)	749	(170)	540.6	950	(288)	429.9
Loss/(gain) on disposal of plant and equipment	1,058	312	239.1	960	(67)	(1,532.8)
Impairment of property, plant and equipment [#]	24,183	41,134	(41.2)	24,183	41,134	(41.2)
Allowance for doubtful trade and other receivables	6,961	5,940	17.2	5,039	5,940	(15.2)
Allowance for slow-moving inventory	2,595	1,220	112.7	805	1,030	(21.8)

[#] The impairment charges comprise of approximately RMB10M for Sichuan subsidiary and approximately RMB14M for Liaoning subsidiary. In past financial years, the management would seek to discuss with the statutory auditors prior to any decision on the amount of impairment. Due to the Covid-19 situation in China, the work of the auditors has been disrupted and as such, the current impairment charge of approximately RMB24M is based on management's best estimate of the operating prospects of the subsidiaries.

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-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Inventories	196,766	234,981	-	-
Trade receivables	187,298	180,132	-	-
Other receivables, deposits and prepayments	35,202	47,843	19,035	48
Cash and cash equivalents ⁽¹⁾	112,172	163,722	166	1,152
	<u>531,438</u>	<u>626,678</u>	<u>19,201</u>	<u>1,200</u>
Non-current assets				
Investment in subsidiaries	-	-	321,044	321,044
Financial asset at FVTPL	2,060	2,060	-	-
Property, plant and equipment	476,060	546,180	7	9
Land use rights	41,536	42,606	-	-
Asset from right of use	5,181	-	-	-
	<u>524,837</u>	<u>590,846</u>	<u>321,051</u>	<u>321,053</u>
Total assets	<u>1,056,275</u>	<u>1,217,524</u>	<u>340,252</u>	<u>322,253</u>
LIABILITIES				
Current liabilities				
Trade payables	266,829	304,811	-	-
Other payables and accruals	79,535	95,905	911	1,047
Amount owing to related parties	6,773	2,875	-	-
Amount owing to subsidiaries	-	-	6,346	4,120
Interest payable to a Director	380	303	380	303
Amount owing to a Director	13,461	12,712	13,461	12,712
Interest-free borrowing from a related party	139,180	-	-	-
Interest-bearing loans and borrowings	190,000	180,000	-	-
Deferred income	5,004	5,046	-	-
Income tax payable	4,868	541	-	-
	<u>706,030</u>	<u>602,193</u>	<u>21,098</u>	<u>18,182</u>
Non-current liabilities				
Interest-bearing loans and borrowings	402,000	539,390	-	-
Interest-free borrowing from a related party	-	38,000	-	-
Amount owing to a related party	3,660	-	-	-
Deferred income	27,514	32,518	-	-
Deferred taxation	589	589	-	-
	<u>433,763</u>	<u>610,497</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,139,793</u>	<u>1,212,690</u>	<u>21,098</u>	<u>18,182</u>

NET ASSETS	(83,518)	4,834	319,154	304,071
EQUITY				
Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profits	(483,621)	(395,269)	10,431	(4,652)
TOTAL EQUITY	(83,518)	4,834	319,154	304,071

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

	31-Dec-2019	31-Dec-2018
	RMB'000	RMB'000
Cash and bank balances	35,772	87,322
Pledged cash deposits	76,400	76,400
	112,172	163,722

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-Dec-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
160,000	182,641	160,000	32,712

Amount repayable after one year

As at 31-Dec-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
252,000	150,000	379,390	198,000

Details of any collateral

As at 31 December 2019, 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 and personal guarantees given by related parties;
- (v) corporate guarantee given by third parties;
- (vi) pledge of inventories of the Group; and
- (vii) pledge of cash deposit of the Group.

In connection with the corporate guarantees given by third parties totaling RMB140 million, our Group has given reciprocal corporate guarantees of an aggregate amount of RMB100.0 million for the benefit of those third parties, being three companies.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	4QFY19	4QFY18	FY19	FY18
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss) before taxation	(14,862)	(68,145)	(75,285)	(85,469)
Adjustments for: -				
Depreciation of property plant and equipment	12,780	19,746	58,857	79,784
Amortisation of land use rights	268	267	1,070	1,069
Amortisation of government grants	(1,261)	(1,349)	(5,046)	(5,384)
Loss/(Gain) on disposal of plant and equipment	1,058	312	960	(67)
Interest expense	9,305	10,223	41,121	44,022
Interest income	(98)	(42)	(1,331)	(1,753)
Foreign currency exchange loss on borrowings from a Director	749	-	749	-
Impairment of plant and equipment	24,183	41,134	24,183	41,134
Allowance for slow-moving inventory (net)	2,595	1,220	805	1,030
Allowance for doubtful trade and other receivables (net)	6,961	5,940	5,039	5,940
Operating profit before working capital changes	41,678	9,306	51,122	80,306
Changes in working capital:				
Inventories	(71,154)	(65,731)	37,410	(47,574)
Trade receivables	(34,147)	13,294	(5,829)	(7,022)
Other receivables, deposits and prepayments	3,599	6,542	1,084	(3,940)
Trade payables	40,468	22,368	(37,982)	57,626
Other payables and accruals	(794)	7,894	(16,370)	2,110
Amount owing to related parties	5,229	350	7,134	1,225
Cash (used in)/generated from operations	(15,121)	(5,977)	36,569	82,731
Income taxes paid	(696)	(1,622)	(8,740)	(3,820)
Net cash (used in)/generated from operating activities	(15,817)	(7,599)	27,829	78,911
Cash flows from investing activities				
Purchase of plant and equipment	(8,487)	(14,333)	(23,711)	(37,429)
Proceeds from disposal of plant and equipment	2,548	3,141	9,831	10,787
Proceeds from government grants	-	-	-	192
Interest income received	98	42	1,331	1,753
Net cash (used in) investing activities	(5,841)	(11,150)	(12,549)	(24,697)

Cash flows from financing activities

Interest expense paid	(8,881)	(10,175)	(40,620)	(43,838)
Cash deposits pledged	(1,000)	(10,000)	(76,000)	(76,000)
Pledged cash deposit being released	1,000	-	76,000	96,880
Proceeds from interest-free borrowing from a related party	87,000	(180)	101,180	38,000
Proceeds from amount owing to a Director	-	-	-	2,848
Repayment of interest - bearing loans and borrowings	(293,340)	(190,475)	(885,390)	(862,975)
Proceeds from interest - bearing loans and borrowings	220,000	248,165	758,000	785,215
Net cash generated from/(used in) financing activities	4,779	37,335	(66,830)	(59,870)
Net (decrease)/increase in cash and bank balances	(16,879)	18,586	(51,550)	(5,656)
Cash and bank balances at beginning of period/year	52,651	68,736	87,322	92,978
Cash and bank balances at end of period/year	35,772	87,322	35,772	87,322

- 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 2019	308,723	91,380	(395,269)	4,834
Total comprehensive loss for the period	-	-	(19,899)	(19,899)
Balance as at 31 March 2019	308,723	91,380	(415,168)	(15,065)
Total comprehensive loss for the period	-	-	(36,235)	(36,235)
Balance as at 30 June 2019	308,723	91,380	(451,403)	(51,300)
Total comprehensive loss for the period	-	-	(12,477)	(12,477)
Balance as at 30 September 2019	308,723	91,380	(463,880)	(63,777)
Total comprehensive loss for the period	-	-	(19,741)	(19,741)
Balance as at 31 December 2019	308,723	91,380	(483,621)	(83,518)

	← 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
Total comprehensive loss for the period	-	-	(10,520)	(10,520)
Balance as at 30 June 2018	308,723	91,380	(312,263)	87,840
Total comprehensive loss for the period	-	-	(12,576)	(12,576)
Balance as at 30 September 2018	308,723	91,380	(324,839)	75,264
Total comprehensive loss for the period	-	-	(70,430)	(70,430)
Balance as at 31 December 2018	308,723	91,380	(395,269)	4,834

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2019	308,723	(4,652)	304,071
Total comprehensive income for the period	-	915	915
Balance as at 31 March 2019	308,723	(3,737)	304,986
Total comprehensive income for the period	-	17,617	17,617
Balance as at 30 June 2019	308,723	13,880	322,603
Total comprehensive loss for the period	-	(1,481)	(1,481)
Balance as at 30 September 2019	308,723	12,399	321,122
Total comprehensive loss for the period	-	(1,968)	(1,968)
Balance as at 31 December 2019	308,723	10,431	319,154

	Share Capital	Accumulated Profits/(Loss)	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
Total comprehensive loss for the period	-	(2,163)	(2,163)
Balance as at 30 June 2018	308,723	15,467	324,190
Total comprehensive loss for the period	-	(1,933)	(1,933)
Balance as at 30 September 2018	308,723	13,534	322,257
Total comprehensive loss for the period	-	(18,186)	(18,186)
Balance as at 31 December 2018	308,723	(4,652)	304,071

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, subdivision, consolidation, 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 30 September 2019. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 31 December 2019 and 31 December 2018.

- 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- Dec-2019	31-Dec-2018
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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group consistently applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2018, except for the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which is effective from annual period beginning on 1 January 2019.

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

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") for annual periods beginning on or after 1 January 2018.

The Group adopted SFRS(I) 16 Leases on 1 January 2019, using the modified retrospective approach where the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. There is no restatement of comparative information which was prepared in accordance with the requirement of SFRS(I) 1-17. The Group elected the following practical expedients:

- (i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- (ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to lease for which the lease term ends within 12 months as of 1 January 2019; and
- (iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

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

	4QFY19	4QFY18	FY19	FY18
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss) per share				
(a) Based on weighted average number of ordinary shares in issue	(3.3)	(11.9)	(14.9)	(15.2)
Weighted average number of shares in issue	594,000,000	594,000,000	594,000,000	594,000,000
(b) On a fully diluted basis	(3.3)	(11.9)	(14.9)	(15.2)

- 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-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
Net asset value per ordinary share	RMB (14.1) cents	RMB 0.8 cents	RMB 53.7 cents	RMB 51.2 cents

31-Dec-2019

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the period of negative RMB 83,518,000 and the Company's net asset value as at the end of the period of RMB 319,154,000 divided by the share capital of 594,000,000 ordinary shares.

31-Dec-2018

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 4,834,000 and the Company's net asset value as at the end of the year of RMB 304,071,000 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. 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

4QFY19 versus 4QFY18

Revenue	4QFY19		4QFY18		Change
	RMB'000	%	RMB'000	%	
Corn refining	557,656	99.9	560,306	100.0	(0.5)
Others	537	0.1	127	-	322.8
Total	558,193	100.0	560,433	100.0	(0.4)

FY19 versus FY18

Revenue	FY19		FY18		Change
	RMB'000	%	RMB'000	%	
Corn refining	2,039,358	99.9	2,220,524	99.9	(8.2)
Others	2,796	0.1	2,286	0.1	22.3
Total	2,042,154	100.0	2,222,810	100.0	(8.1)

The Group's revenue for 4QFY19 decreased slightly by 0.4% from RMB 560.4 million in 4QFY18 to RMB 558.2 million in 4QFY19, while the revenue for FY19 decreased by 8.1 % year-on-year ("y-o-y") from RMB 2.2 billion to RMB 2.0 billion. This was mainly due to the decrease in sales volume of our corn refining segment.

For 4QFY19, sales volume for our corn refining segment decreased by 3.9% from 272K ("K"=1,000) tonnes to 262K tonnes period-on-period ("p-o-p"). This p-o-p decrease was mainly attributable to the decreases in the sales volumes of corn sweeteners and by-products of about 3.5% and 4.8% respectively. For FY19, sales volume for our corn refining segment decreased from 1,073K tonnes to 971K tonnes or by about 9.5% y-o-y. This y-o-y decrease was mainly attributable to the decreases in the sales volumes of corn sweeteners and by-products of about 9.8% and 8.8% respectively.

For 4QFY19, the weighted average selling price of the Group's corn refining products increased by 3.2% p-o-p. This increase was attributable to the increases in prices of corn sweeteners and by-products by about 0.3% and 15.7% respectively. For FY19, the weighted average selling price of the Group's corn refining products increased by 1.4% y-o-y. This increase was attributable to the increases in prices of corn sweeteners and by-products by about 0.5% and 7.2% respectively.

The Group's export revenue in FY19 increased by 21.1% as compared to FY18. The export revenue as a percentage of total revenue in FY19 increased to 4.5% from 3.4% in FY18. The sales to the export market remained insignificant because of our uncompetitive pricing due to our higher production cost.

Gross profit and gross profit margin

4QFY19 versus 4QFY18

	4QFY19		4QFY18	
	RMB'000	%	RMB'000	%
Corn refining	69,052	12.4	52,199	9.3
Others	502	93.3	649	510.2
Total	<u>69,554</u>	12.5	<u>52,848</u>	9.4

FY19 versus FY18

	FY19		FY18	
	RMB'000	%	RMB'000	%
Corn refining	179,276	8.8	213,924	9.6
Others	2,022	72.3	2,079	90.9
Total	<u>181,298</u>	8.9	<u>216,003</u>	9.7

For 4QFY19, gross profit increased by 31.6% p-o-p to RMB 69.6 million, and the gross profit margin increased from 9.4% in 4QFY18 to 12.5%. Group revenue decreased by 0.4%, while the cost of sales for the corresponding period decreased by 3.7%. These were due mainly to the decrease in corn price of about 1.4% p-o-p and the higher average capacity utilization rate (excluding Sichuan subsidiary).

Gross profit for FY19 decreased by 16.1% y-o-y to RMB 181.3 million, while the gross profit margin for FY19 decreased from 9.7% in FY18 to 8.9% in FY19. Group revenue decreased by 8.1% y-o-y, while the cost of sales decreased by 7.3%. These were mainly due to the increase in corn price of about 3.1%, partially offset by the increase in selling price of our corn refining segment y-o-y.

The Group's others segment including our Hongzhou subsidiary made a gross profit of RMB 2.0 million in FY19 compared with RMB 2.1 million in FY18.

Other operating income

Other operating income decreased by RMB 6.3 million from RMB 27.8 million in FY18 to RMB 21.5 million in FY19, due mainly to the decrease in gain on sale of consumables and waste materials by RMB 4.6 million and the decrease in government grants and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 12.7% or RMB 15.8 million from RMB 124.2 million in FY18 to RMB 108.5 million in FY19. This was mainly attributable to the decreases in transportation costs, staff costs, and product packing charge.

- Administrative expenses

The Group's administrative expenses decreased by 15.0% from RMB 113.6 million in FY18 to RMB 96.6 million in FY19. This was mainly due to the decrease in staff costs (including salary, social insurance payment and other welfare), the decrease in depreciation charge (mainly attributable to the reclassification of certain depreciation charge to operating expenses as a result of production halts of certain products), and the decrease in allowance for doubtful trade receivables.

- Other operating expenses

Other operating expenses decreased by RMB 15.5 million from RMB 47.3 million in FY18 to RMB 31.8 million in FY19. This was due mainly to the decrease in impairment loss of property, plant and equipment of about RMB 17.0 million and the decrease in employee compensation for work-related injury, which were partially offset by the increases in the loss on disposal of plant and equipment and the allowance for slow-moving inventory.

Finance costs

The Group's finance costs decreased by 6.6% from RMB 44.0 million in FY18 to RMB 41.1 million in FY19 mainly attributable to the decrease in interest costs arising from decrease in bank loans.

Income tax expense

The increase in income tax expense was due to withholding and payment of last year's income tax incurred by the Shandong subsidiary and Henan subsidiary, and 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, there is a difference between the effective tax rate in FY19 and the statutory tax rate.

Total comprehensive loss

The Group's total comprehensive loss decreased by 2.4% from RMB 90.5 million in FY18 to RMB 88.4 million in FY19. This was mainly due to the decreases in operating expenses and finance costs, which were partially offset by the decrease in gross profit, the decrease in other operating income and the increase in income tax expenses.

b) Statement of Financial Position

GROUP	<u>FY19</u>	<u>FY18</u>
Inventory turnover days	42	39
Trade receivable turnover days	33	29
Trade payable turnover days	56	50
Debt equity ratio	(8.9)	159.3

(i) Current assets

Current assets decreased by RMB 95.2 million from RMB 626.7 million as at 31 December 2018 to RMB 531.4 million as at 31 December 2019, mainly due to the decrease in inventories of RMB 38.2 million, the decrease in cash and cash equivalents of RMB 51.6 million, and the decrease in other receivables, deposits and prepayments of RMB 12.6 million, which were partially offset by the increase in trade receivables of RMB 7.2 million. Trade receivable turnover days increased from 29 days in FY18 to 33 days in FY19. Inventory turnover days was higher at 42 days in FY19 as compared with 39 days for FY18.

(ii) Non-current assets

The decrease in non-current assets of RMB 66.0 million was mainly due to the depreciation of RMB 59.9 million, the impairment of property, plant and equipment of RMB 24.2 million in our Liaoning subsidiary and Sichuan subsidiary, and the disposal of plant and equipment of RMB 10.8 million, which were partially offset by the capital expenditure of RMB 23.7 million and the increase of asset from right of use by RMB 5.2 million.

(iii) Current liabilities

Current liabilities increased by RMB 103.8 million from RMB 602.2 million as at 31 December 2018 to RMB 706.0 million as at 31 December 2019, mainly due to the increase in short-term interest-bearing loans and

borrowings of RMB 10.0 million, the increase in interest-free borrowing from a related party of RMB 139.2 million, the increase in amount owing to related parties of RMB 3.9 million, and the increase in income tax payable of RMB 4.3 million, which were partially offset by the decrease in trade payables of RMB 38.0 million and the decrease in other payables and accruals of RMB 16.4 million. Trade payable turnover days was higher at 56 days compared with 50 days for FY18.

The Group's debt equity ratio was negative 8.9 times as at 31 December 2019 compared with 159.3 times as at 31 December 2018, and the net debt equity ratio was negative 7.6 times as at 31 December 2019 (31 December 2018: 125.4 times). This was mainly due to the decrease in total equity resulting from the net loss in FY19 and the decrease of RMB 25.5 million in total bank loans and other borrowings.

WORKING CAPITAL AND BANK BORROWINGS AS AT 31 DECEMBER 2019

The management will take active steps to manage the Group's working capital position. As at 31 December 2019, the Group has approximately RMB 60.0 million (secured by pledge of cash deposits of RMB 30.0 million) in short-term bank loans to be repaid by end of 1QFY20. The repayment of loans that are due by end of 1QFY20 shall be funded through the operating cash flow, in addition to the new bank borrowings for which the management is in discussion with bankers as well as interest-free borrowings from related parties.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 176.7 million, due to the decrease in long-term interest-bearing bank loans of RMB 137.4 million, the decrease in interest-free borrowing from a related party of RMB 38.0 million which was reclassified as short-term borrowings, and the decrease in deferred income of RMB 5.0 million (due to the amortization of government grants), which were partially offset by the increase of RMB 3.7 million in amount owing to a related party.

(v) Shareholders' equity

As at 31 December 2019, shareholders' equity was lower than that as at 31 December 2018 due to the net loss of RMB 88.4 million incurred in FY19.

c) Cash Flows

For FY19, the Group experienced net operating cash inflow of RMB 27.8 million. This comprised operating profit before changes in working capital of RMB 51.1 million adjusted for increase in working capital of RMB 14.6 million and income taxes paid of RMB 8.7 million.

The increase in working capital was mainly the result of:

- i) an increase in trade receivables of RMB 5.8 million,
- ii) a decrease in trade payables of RMB 38.0 million, and
- iii) a decrease in other payables and accruals of RMB 16.4 million,

which were partially offset by

- iv) a decrease in inventory of RMB 37.4 million,
- v) a decrease in other receivables, deposits and prepayments (including asset from right of use) of RMB 1.1 million, and
- vi) an increase in amount owing to related parties of RMB 7.1 million.

Net cash used in investing activities amounted to RMB 12.5 million in FY19. This was mainly due to the equipment upgrading expenditure and the purchase of packaging containers for our finished products. These cash outflows were partially mitigated by the cash inflows arising from proceeds from the disposal of plant and equipment of RMB 9.8 million and the interest income of RMB 1.3 million.

Net cash used in financing activities was RMB 66.8 million, mainly due to the net decrease in total bank loans of RMB 127.4 million and payment of interest expense of RMB 40.6 million. These cash outflows were partially offset by the increase in interest-free borrowing from a related party of RMB 101.2 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 4QFY19 are consistent with the commentary under section 10 of the announcement dated 13 November 2019 on the unaudited financial statements for the third quarter and nine months ended 30 September 2019.

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

China economy

China's economic growth is likely to continue to slow down due to the on-going trade war with the United States. The domestic consumption continues to be sluggish and the recent outbreak of the COVID-19 virus, which is expected to affect the livelihood of the Chinese people, will further dampen the market demand. The Group expects yet another tough year ahead for its business due to the uncertainty of the demand for its products. In addition, the government's enforcement of pollution controls will add to the operation costs of the Group. The management is expected to upgrade the Group's equipment in all its factories to meet the stringent regulations.

Looking forward, the Group expects its raw corn material prices to remain stable for the year unless there is a new trade war between China and United States that warrants changes in government's policy on the supply of corn in the market.

Update on the Impact of COVID-19

As of now, the Group's operations have been disrupted due to the imposition of stop work order by the local authorities. The management is unable to assess the extent of the financial impact and is concerned about the possible prolonged duration and the extent of the disruption due to the COVID-19.

Update on the Company's Working Capital Position

The Executive Chairman, Mr Niu Ji Xing has continued to provide his commitments to the Group as follows:

(i) The letter of undertaking to provide continuing financial support to the Group by him shall continue to be in force and this is in addition to the corporate and personal guarantees granted and arranged by him, to secure RMB 473 million of the Group's banking facilities as at 31 December 2019;

(ii) He has since May 2019 stopped drawing his salary until the financial performance of the Group has improved; and

(iii) As at 31 December 2019, Mr Niu and his related company have granted interest-free loans amounting to RMB 152.6 million to the Group.

It is also noted that for FY19, the Group managed to generate positive cash flow from its operating activities with the EBIDTA of about RMB 48.6 million.

At the request of the Audit Committee, the management has on 24 February 2020 confirmed that the Group has not received any notifications from any financial institutions requiring early repayment of any loans.

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 and the reason(s) for the decision.

No dividend has been recommended for the financial year ended 31 December 2019 in view of the loss incurred for the year.

13 Summary of Interested Person Transactions for the financial period ended 31 December 2019

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Year ended	Year ended
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Rental expenses to Shaanxi Luzhou	2,100	2,100
Interest payable for loan granted by Niu Ji Xing	77	184

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

Mr Niu Jiu Xing (Executive Chairman and CEO of the Company) has granted a loan of SGD2.0 million to the Group at the interest rate of 1.88% per annum in May 2017, and the loan is interest-free from June 2019 onwards.

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Geographical segments

	RMB'000	RMB'000
	FY19	FY18
Segment revenue by location of customers		
- PRC	1,949,959	2,146,650
- Overseas	92,195	76,160
	<u>2,042,154</u>	<u>2,222,810</u>
Capital expenditures by geographical location of assets		
- PRC	23,711	37,419
- Overseas	-	10
	<u>23,711</u>	<u>37,429</u>
Segment assets by geographical location of assets		
- PRC	1,056,067	1,216,315
- Overseas	208	1,209
	<u>1,056,275</u>	<u>1,217,524</u>

Operating segment for FY19

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
Revenue:							
External customers	2,039,358	-	2,796	-	-		2,042,154
Intra-segment sales	12,504	-	39,216	-	(51,720)	A	-
Total Revenue	2,051,862	-	42,012	-	(51,720)		2,042,154
Results:							
Segment (loss)/profit before tax	(28,073)	105	(2,078)	(7,689)	(37,550)	B	(75,285)
Income tax expense	(13,067)	-	-	-	-		(13,067)
Interest income from banks	1,328	-	3	-	-		1,331
Interest expenses	(41,035)	(1)	(7)	(78)	-		(41,121)
Depreciation of plant and equipment	(58,974)	(855)	(688)	(2)	1,662	C	(58,857)
Amortization of land use right	(1,070)	-	-	-	-		(1,070)
Impairment of property, plant and equipment	(24,183)	-	-	-	-		(24,183)
(Loss) on disposal of property, plant and equipment, net	(960)	-	-	-	-		(960)
Other non-cash (expenses)	(708)	-	(90)	(749)	-	D	(1,547)
Assets:							
Segment asset	1,049,682	3,106	10,699	208	(7,420)	E	1,056,275
Additions to non-current assets	23,706	-	5	-	-	F	23,711
Liabilities:							
Segment liabilities	1,122,792	12	1,648	14,752	589	G	1,139,793

Operating segment for FY18

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
Revenue:							
External customers	2,220,524	-	2,286	-	-		2,222,810
Intra-segment sales	42,463	-	9,078	-	(51,541)	A	-
Total Revenue	2,262,987	-	11,364	-	(51,541)		2,222,810
Results:							
Segment loss before tax	(33,715)	(681)	(2,077)	(24,185)	(24,811)	B	(85,469)
Income tax expense	(5,045)	-	-	-	-		(5,045)
Interest income from banks	1,750	-	3	-	-		1,753
Interest expenses	(43,832)	(1)	(4)	(185)	-		(44,022)
Depreciation of plant and equipment	(80,283)	(860)	(703)	(1)	2,063	C	(79,784)
Amortization of land use right	(1,069)	-	-	-	-		(1,069)
Impairment of property, plant and equipment	(40,000)	-	(1,134)	-	-		(41,134)
Gain on disposal of property, plant and equipment, net	67	-	-	-	-		67
Other non-cash (expenses)/income	(1,603)	-	17	-	-	D	(1,586)
Assets:							
Segment asset	1,211,817	3,001	11,157	1,209	(9,660)	E	1,217,524
Additions to non-current assets	37,413	-	6	10	-	F	37,429
Liabilities:							
Segment liabilities	1,193,089	12	4,938	14,062	589	G	1,212,690

Segment information

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenue are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit or loss to arrive at "(loss)/profit before tax" presented in consolidated financial statements:

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Profit from inter-segment sales	2,240	1,548
Finance costs net of interest income	(39,790)	(42,269)
Impairment loss of investment in subsidiaries	-	15,910
Total	<u>(37,550)</u>	<u>(24,811)</u>

C Inter-segment elimination of depreciation expenses on consolidation arising from profit on inter-segment sales of property, plant and equipment.

D Other non-cash (expenses)/income comprise the following:

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Foreign currency exchange loss on borrowings from a Director	(749)	-
Amortization of government grant	5,046	5,384
Allowance for of write-down of inventories, net	(805)	(1,030)
Addition of allowance for doubtful trade and other receivables, net	(5,039)	(5,940)
	<u>(1,547)</u>	<u>(1,586)</u>

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Inter-segment assets	(7,420)	(9,660)

F Additions to non-current assets consist of additions to property, plant and equipment.

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Deferred tax liabilities	589	589

15 In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Please refer to Note 8 for the review of performance by business or geographical segments.

16 A breakdown of sales

	Group		
	FY19	FY18	Change
	RMB'000	RMB'000	%
(a) Sales reported for first half year	994,574	1,062,105	(6.4)
(b) Sales reported for second half year	1,047,580	1,160,705	(9.7)
Variance (H2 vs H1) %	5.3	9.3	
(c) (Loss) after tax and before attributing to non-controlling interests for first half year	(56,134)	(7,508)	647.7
(d) (Loss) after tax and before attributing to non-controlling interests for second half year	(32,218)	(83,006)	(61.2)
Variance (H2 vs H1) %	(42.6)	1,005.6	

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

There is no dividend declared for FY2018 and no dividend proposed for FY2019.

18 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.

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
26 February 2020