



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Second Quarter and
Half Year Results
Announcement for the Period
Ended 30 June 2018**



UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 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.

	2Q2018 RMB'000	2Q2017 RMB'000	Change %	HY2018 RMB'000	HY2017 RMB'000	Change %
Revenue	545,008	508,601	7.2	1,062,105	996,143	6.6
Cost of sales	(494,872)	(464,414)	6.6	(948,465)	(888,258)	6.8
Gross profit	50,136	44,187	13.5	113,640	107,885	5.3
Other operating income	8,448	73,401	(88.5)	13,721	80,113	(82.9)
Selling and distribution expenses	(31,650)	(32,605)	(2.9)	(62,621)	(66,988)	(6.5)
Administrative expenses	(22,885)	(22,821)	0.3	(44,580)	(49,240)	(9.5)
Other operating expenses	(1,707)	(8,469)	(79.8)	(2,410)	(8,879)	(72.9)
Finance expenses	(11,821)	(13,715)	(13.8)	(23,212)	(27,041)	(14.2)
(Loss)/profit before taxation	(9,479)	39,978	(123.7)	(5,462)	35,850	(115.2)
Taxation	(1,041)	(235)	343.0	(2,046)	(501)	308.4
(Loss)/profit for the period and total comprehensive (loss)/income	(10,520)	39,743	(126.5)	(7,508)	35,349	(121.2)
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(10,520)	39,743	(126.5)	(7,508)	35,349	(121.2)
Gross profit margin	9.2%	8.7%	5.7	10.7%	10.8%	(0.9)
Net (loss)/profit margin	(1.9%)	7.8%	(124.4)	(0.7%)	3.5%	(120.0)
(Loss)/profit per share(RMB cents)						
- basic	(1.8)	6.7	(126.9)	(1.3)	6.0	(121.7)
- diluted	(1.8)	6.7	(126.9)	(1.3)	6.0	(121.7)

Notes to the Comprehensive Income Statement

	2Q2018	2Q2017	Change	HY2018	HY2017	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss)/profit before tax is arrived at after charging/(crediting):						
Interest income	(594)	(573)	3.7	(1,090)	(1,251)	(12.9)
Interest expense on borrowings	11,821	13,715	(13.8)	23,212	27,041	(14.2)
Depreciation of property, plant and equipment	19,964	20,898	(4.5)	40,268	39,859	1.0
Amortisation of land use rights	268	268	Nil	535	535	Nil
Amortisation of government grants	(1,348)	(1,685)	(20.0)	(2,687)	(3,359)	(20.0)
Foreign exchange loss/(gain), net	31	179	(82.7)	(26)	72	(136.1)
(Gain)/loss on disposal of plant and equipment, net	(140)	6,851	102.0	(186)	6,503	102.9
Reversal of impairment of property, plant and equipment	-	(67,441)	-	-	(67,441)	-
Reversal of allowance for doubtful trade receivables	-	-	-	-	(5)	-
Reversal of allowance for slow-moving inventory	(190)	-	-	(190)	-	-

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

	GROUP		COMPANY	
	30-Jun-2018	31-Dec-2017	30-Jun-2018	31-Dec-2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	222,123	188,437	-	-
Trade receivables	201,230	177,594	-	-
Other receivables, deposits and prepayments	64,380	45,359	34	35
Income tax prepaid	-	684	-	-
Cash and cash equivalents ⁽¹⁾	194,975	190,258	2,745	3,266
	<u>682,708</u>	<u>602,332</u>	<u>2,779</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	606,512	640,389	10	-
Land use rights	43,140	43,675	-	-
	<u>651,712</u>	<u>686,124</u>	<u>336,964</u>	<u>336,954</u>
Total assets	<u>1,334,420</u>	<u>1,288,456</u>	<u>339,743</u>	<u>340,255</u>
LIABILITIES				
Current liabilities				
Trade payables	291,824	247,185	-	-
Other payables and accruals	88,527	93,795	522	995
Amount owing to related parties	2,175	1,650	-	-
Amount owing to subsidiaries	-	-	2,111	836
Interest payable to a Director	208	119	208	119
Amount owing to a Director	12,712	-	12,712	-
Interest-bearing loans and borrowings	220,000	220,000	-	-
Deferred income	5,220	5,355	-	-
Income tax payable	84	-	-	-
	<u>620,750</u>	<u>568,104</u>	<u>15,553</u>	<u>1,950</u>
Non-current liabilities				
Interest-bearing loans and borrowings	590,200	577,150	-	-
Amount owing to a Director	-	9,864	-	9,864
Deferred income	35,041	37,401	-	-
Deferred taxation	589	589	-	-
	<u>625,830</u>	<u>625,004</u>	<u>-</u>	<u>9,864</u>
Total liabilities	<u>1,246,580</u>	<u>1,193,108</u>	<u>15,553</u>	<u>11,814</u>
NET ASSETS	<u>87,840</u>	<u>95,348</u>	<u>324,190</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	(312,263)	(304,755)	15,467	19,718
TOTAL EQUITY	87,840	95,348	324,190	328,441

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

	30-Jun-2018	31-Dec-2017
	RMB'000	RMB'000
Cash and bank balances	98,575	92,978
Pledged cash deposits	96,400	97,280
	194,975	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 30-Jun-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
200,000	32,712	200,000	20,000

Amount repayable after one year

As at 30-Jun-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
420,200	170,000	397,150	189,864

Details of any collateral

As at 30 June 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 and personal guarantees 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.

	2Q2018	2Q2017	HY2018	HY2017
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
(Loss)/profit before taxation	(9,479)	39,978	(5,462)	35,850
Adjustments for:-				
Depreciation of plant and equipment	19,964	20,898	40,268	39,859
Amortisation of land use rights	268	268	535	535
Amortisation of government grants	(1,348)	(1,685)	(2,687)	(3,359)
(Gain)/loss on disposal of plant and equipment	(140)	6,851	(186)	6,503
Interest expense	11,821	13,715	23,212	27,041
Interest income	(594)	(573)	(1,090)	(1,251)
Reversal of impairment of plant and equipment	-	(67,441)	-	(67,441)
Reversal of allowance for slow-moving inventory	(190)	-	(190)	-
Reversal of allowance for doubtful trade receivables	-	-	-	(5)
Operating profit before working capital changes	20,302	12,011	54,400	37,732
Changes in working capital:				
Inventories	(13,729)	(1,827)	(33,496)	(7,228)
Trade receivables	(16,956)	(40,714)	(23,636)	(32,979)
Other receivables, deposits and prepayments	(10,242)	42,335	(19,021)	49,960
Amount owing by related parties	-	175	-	525
Trade payables	12,316	25,295	44,639	7,710
Other payables and accruals	7,252	2,530	(5,268)	2,698
Amount owing to related parties	175	-	525	-
Cash (used in)/generated from operations	(882)	39,805	18,143	58,418
Income taxes paid	(1,126)	(501)	(1,278)	(1,639)
Net cash (used in)/generated from operating activities	(2,008)	39,304	16,865	56,779
Investing activities				
Purchase of plant and equipment	(7,485)	(6,507)	(11,414)	(17,518)
Proceeds from disposal of plant and equipment	2,745	2,424	5,209	4,226
Proceeds from government grants	-	4,061	192	6,061
Interest received	594	573	1,090	1,251
Net cash (used in)/generated from investing activities	(4,146)	551	(4,923)	(5,980)

Financing activities

Payment of Dividend	-	(5,859)	-	(5,859)
Interest paid	(11,776)	(13,715)	(23,123)	(27,041)
Cash deposits pledged	(36,000)	(86,340)	(66,000)	(254,369)
Pledged cash deposit being released	36,880	96,989	66,880	186,989
Proceeds from amount owing to a Director	2,848	9,864	2,848	9,864
Repayment of interest-bearing loans and borrowings	(202,000)	(253,000)	(495,000)	(656,000)
Proceeds from interest-bearing loans and borrowings	228,050	197,500	508,050	689,500
Net cash generated from/(used in) financing activities	18,002	(54,561)	(6,345)	(56,916)
Net increase/(decrease) in cash and bank balances	11,848	(14,706)	5,597	(6,117)
Cash and bank balances at beginning of period	86,727	163,761	92,978	155,172
Cash and bank balances at end of period	98,575	149,055	98,575	149,055

- 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
Total comprehensive loss for the period	-	-	(10,520)	(10,520)
Balance as at 30 June 2018	308,723	91,380	(312,263)	87,840

	← 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
Total comprehensive income for the period	-	-	39,743	39,743
Payment of Dividend	-	-	(5,859)	(5,859)
Balance as at 30 June 2017	308,723	91,380	(235,889)	164,214

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
Total comprehensive loss for the period	-	(2,163)	(2,163)
Balance as at 30 June 2018	308,723	15,467	324,190

	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
Total comprehensive loss for the period	-	(2,127)	(2,127)
Payment of Dividend	-	(5,859)	(5,859)
Balance as at 30 June 2017	308,723	59,100	367,823

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 March 2018. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 30 June 2018 and 30 June 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	
	30-Jun-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 6-month period ended 30 June 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

	2Q2018	2Q2017	HY2018	HY2017
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss)/earnings per share				
(a) Based on weighted average number of ordinary shares in issue; and	(1.8)	6.7	(1.3)	6.0
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	(1.8)	6.7	(1.3)	6.0

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

	Group		Company	
	30-Jun-2018	31-Dec-2017	30-Jun-2018	31-Dec-2017
Net asset value per ordinary share	RMB 14.8 cents	RMB 16.1 cents	RMB 54.6 cents	RMB 55.3 cents

30-Jun-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 87,840,000 and the Company's net asset value as at the end of the period of RMB 324,190,000 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. 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

2QFY18 versus 2QFY17

Revenue	2QFY18		2QFY17		Change
	RMB'000	%	RMB'000	%	%
Corn refining	544,687	99.9	507,682	99.8	7.3
Others	321	0.1	919	0.2	(65.1)
Total	545,008	100.0	508,601	100.0	7.2

1HFY18 versus 1HFY17

Revenue	1HFY18		1HFY17		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,061,607	100.0	995,080	99.9	6.7
Others	498	-	1,063	0.1	(53.2)
Total	1,062,105	100.0	996,143	100.0	6.6

The Group's revenue for 2QFY18 increased by 7.2% from RMB 508.6 million in 2QFY17 to RMB 545.0 million in 2QFY18 while revenue for the six-month period ("1HFY18") increased by 6.6% year-on-year ("y-o-y") from RMB 996.1 million to RMB 1,062.1 million. This was mainly due to the increase in the weighted average selling price of the Group's corn refining products.

For 2QFY18, sales volume for the corn refining segment decreased from 266K ("K"=1,000) tonnes to 259K tonnes or about 2.7% y-o-y. This decrease was attributable to the decrease in the sales volume of corn sweeteners by about 4.0%, while the sales volume of our by-products increased by 2.3%. For 1HFY18, sales volume for the corn refining segment decreased by 1.1% y-o-y from 512K tonnes to 507K tonnes. This decrease was attributable to the decrease in the sales volume of corn sweeteners by 2.1%, while the sales volume of our by-products increased by 3.7%.

For 2QFY18, the weighted average selling price of the Group's corn refining products increased by 10.4% y-o-y. The increase was mainly attributable to the increases in average selling prices of corn sweeteners and by-products by 12.9% and 3.1% respectively. The weighted average price of the Group's corn refining products for 1HFY18 increased by 7.8% y-o-y. This increase was attributable to the increase in prices of corn sweeteners by 12.2%, which was partially offset by the decrease in prices of by-products by 6.7%.

The Group's export revenue in 1HFY18 increased by 9.0% as compared to 1HFY17. While the export revenue as a percentage of total revenue increased from 3.5% in 1HFY17 to 3.6% in 1HFY18. The sales to the export market was poor because of our uncompetitive pricing due to our higher production cost.

Gross profit and gross profit margin

2QFY18 versus 2QFY17

	2QFY18		2QFY17	
	RMB'000	%	RMB'000	%
Corn refining	49,639	9.1	43,858	8.6
Others	497	154.8	329	35.8
Total	50,136	9.2	44,187	8.7

1HFY18 versus 1HFY17

	1HFY18		1HFY17	
	RMB'000	%	RMB'000	%
Corn refining	112,627	10.6	107,029	10.8
Others	1,013	203.3	856	80.6
Total	113,640	10.7	107,885	10.8

For 2QFY18, gross profit increased by 13.5% or about RMB 5.9 million y-o-y, mainly attributable to the increase in gross profit of our corn refining segment by 13.2% or about RMB 5.8 million. Revenue increased by 7.2% y-o-y, while the cost of sales for the corresponding period increased by 6.6%. Group gross profit margin increased by 0.5 percentage points y-o-y to 9.2%. This was mainly due to the increase in selling prices of our corn refining products. The corn raw material prices increased by 7.3% compared to 2QFY17.

Group gross profit margin in 1HFY18 decreased by 0.1 percentage points y-o-y to 10.7%. Gross profit increased by 5.3% or about RMB 5.8 million y-o-y, mainly attributable to the increase in gross profit of our corn refining segment by 5.2% or about RMB 5.6 million due mainly to the increase in selling prices of our corn refining products. Group revenue increased by 6.6% y-o-y, while the cost of sales for the corresponding period increased by 6.8%.

The Group has stopped the production of the animal feed products since 1QFY16.

The others segment, including our Hongzhou subsidiary, made a gross profit of RMB 1.0 million in 1HFY18, compared with RMB 0.9 million in 1HFY17.

Other operating income

Other operating income decreased by RMB 66.4 million from RMB 80.1 million in 1HFY17 to RMB 13.7 million in 1HFY18 due mainly to the reversal of impairment of property, plant and equipment of our Shandong subsidiary in May 2017. In addition, the government grants and subsidies decreased by RMB 1.8 million, which was partially offset by the increase in gain on sale of consumables and waste materials by RMB 2.3 million.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 6.5% from RMB 67.0 million in 1HFY17 to RMB 62.6 million in 1HFY18. This was mainly attributable to the decrease of RMB 4.6 million in transportation costs.

- Administrative expenses

The Group's administrative expenses decreased by 9.5% from RMB 49.2 million in 1HFY17 to RMB 44.6 million in 1HFY18. 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

Other operating expenses decreased by about RMB 6.5 million from RMB 8.9 million in 1HFY17 to RMB 2.4 million in 1HFY18. This was due mainly to the decrease in loss on disposal of property, plant and equipment by about RMB 6.7 million.

Finance expenses

The Group's finance expenses decreased by 14.2% from RMB 27.0 million in 1HFY17 to RMB 23.2 million in 1HFY18. This was attributable to the decrease in interest costs as a result of the decrease in bank loans by about RMB 181 million from RMB 1,004 million in 1HFY17 to RMB 823 million in 1HFY18.

Taxation

The increase in income tax expense was due to the increase of the 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 1HFY18 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 121.2% from a profit of RMB 35.3 million in 1HFY17 to a loss of RMB 7.5 million in 1HFY18 due mainly to the decrease of RMB 66.4 million in other operating income, which was partially offset by the increase of RMB 5.8 million in gross profit, and the decrease of RMB 15.5 million in operating expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1HFY18</u>	<u>FY17</u>
Inventory turnover days	39	36
Trade receivable turnover days	33	32
Trade payable turnover days	52	48
Debt equity ratio	9.37	8.46

(i) Current assets

Current assets increased by RMB 80.4 million from RMB 602.3 million as at 31 December 2017 to RMB 682.7 million as at 30 June 2018, due mainly to the increase in inventories of RMB 33.7 million, the increase in trade receivables of RMB 23.6 million, and the increase in other receivables, deposits and prepayments of RMB 19.0 million (mainly for prepayments to suppliers for purchasing of raw corn materials), and the increase in cash and cash equivalents of RMB 4.7 million. Trade receivable turnover days increased slightly from 32 days in FY17 to 33 days in 1HFY18. Inventory turnover days was higher at 39 days in 1HFY18 as compared with 36 days for FY17.

(ii) Non-current assets

The decrease in non-current assets of RMB 34.4 million was mainly due to the depreciation of RMB 40.8 million and the disposal of plant and equipment of RMB 5.0 million, which were partially offset by the capital expenditure of RMB 11.4 million.

(iii) Current liabilities

Current liabilities increased by RMB 52.6 million from RMB 568.1 million as at 31 December 2017 to RMB 620.8 million as at 30 June 2018, due mainly to the increase in trade payables of RMB 44.6 million and the increase in amount owing to a Director of RMB 12.7 million, which was partially offset by the decrease in other payables and accruals of RMB 5.3 million. Trade payable turnover days was higher at 52 days, compared with 48 days for FY17.

The Group's debt equity ratio was 9.37 times as at 30 June 2018 compared with 8.46 times as at 31 December 2017, and the net debt equity ratio was 7.15 times as at 30 June 2018 (31 December 2017: 6.47 times). This was due to the increase of RMB 15.9 million in total interest-bearing loans and borrowings and the decrease of RMB 7.5 million in total equity resulting from the net loss in 1HFY18.

(iv) Non-current liabilities

Non-current liabilities increased by RMB 0.8 million due to the increase in long-term interest-bearing loans of RMB 3.2 million, partially offset by the decrease in deferred income of RMB 2.4 million (mainly due to the amortization of government grants).

(v) Shareholders' equity

As at 30 June 2018, shareholders' equity was lower than that as at 31 December 2017 mainly due to the net loss of RMB 7.5 million incurred in 1HFY18.

c) Cash Flows

For 1HFY18, the Group experienced net operating cash inflow of RMB 16.9 million. This comprised operating profit before changes in working capital of RMB 54.4 million adjusted for increase in working capital of RMB 36.3 million and income tax paid of RMB 1.3 million.

The changes in working capital were mainly the result of:

- i) an increase in inventory of RMB 33.5 million;
- ii) an increase in trade receivables of RMB 23.6 million;
- iii) an increase in other receivables, deposits and prepayments of RMB 19.0 million; and
- iv) a decrease in other payables and accruals of RMB 5.3 million,

which were partially offset by

- v) an increase in trade payables of RMB 44.6 million.

Net cash used in investing activities amounted to RMB 4.9 million in 1HFY18. This was mainly due to the construction of property, plant and equipment and purchase of packaging containers for our finished products. These cash outflows were partially offset by the cash inflows arising from proceeds from the disposal of plant and equipment of RMB 5.2 million and the interest income of RMB 1.1 million.

Net cash used in financing activities was RMB 6.3 million, mainly due to the payment of interest expense of RMB 23.1 million, which was partially offset by the net increase in total bank loans of RMB 13.1 million and the increase in amount owing to a Director of RMB 2.8 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 2QFY18 are consistent with the commentary under section 10 of the announcement dated 27 April 2018 on the unaudited financial statements for the first quarter ended 31 March 2018.

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's economy appears to be slowing down as the tit-for-tat trade war with the United States is only just getting under way. While the domestic consumption continues to drive growth, there are signs of slower investment growth due to the government's tightening of financial controls to manage the domestic debts in order to prevent a financial crisis. In addition, the government continues to impose more stringent pollution control measures for sustainable development, further hindering the growth of domestic businesses. Hence, the Group is of the view that should both the global and domestic headwinds persist, it will impact China's economic growth in the second half of 2018 and beyond.

Amid the Chinese government's deleveraging efforts with tougher financial regulations, the slower growth in capital expenditure has also impacted the pace of the domestic economy restructuring process in moving up the higher value chain. The policy has hit hard on the manufacturing companies especially in bank loans and higher borrowing costs. The Group expects its funding needs to be adversely affected in the short to medium term as banks continue to tighten the control on borrowing.

However, as China takes on the global leadership in combating climate change in the coming years to reduce greenhouse gases, the Group is facing continuous upgrading costs of its plants and equipment in meeting the environmental pollution measures and this has resulted in higher operating costs for the Group. Furthermore, as announced, China has imposed higher tariff on raw corn imports from the United States, which may lead to higher cost of the raw corn material supply in the domestic market. The Group expects its production costs to increase, hence lowering the profit margin of all its corn sweetener products.

In view of the global trade uncertainty and the likely higher operating and production costs, the management remains cautious of the Group's 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 for the second quarter ended 30 June 2018.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2018

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Six months ended	Six months ended
	RMB'000	RMB'000
	30/06/2018	30/06/2017
Rental expenses to Shaanxi Luzhou	1,050	1,050
Interest payable for loan granted by Niu Ji Xing	89	26

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.

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 second quarter ended 30 June 2018 to be false or misleading in any material aspect.

For and on behalf of the Board

Mr Niu Ji Xing
Executive Chairman

Mr Wang De You
Executive Director

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
13 August 2018