



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

Fourth Quarter and

Full Year Results

Announcement for the Period

Ended 31 December 2018

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

	4QFY18	4QFY17	Change	FY18	FY17	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	560,433	528,869	6.0	2,222,810	2,038,317	9.1
Cost of sales	(507,585)	(464,155)	9.4	(2,006,807)	(1,829,173)	9.7
Gross profit	52,848	64,714	(18.3)	216,003	209,144	3.3
Other operating income	6,656	7,527	(11.6)	27,754	102,788	(73.0)
Selling and distribution expenses	(29,232)	(32,408)	(9.8)	(124,247)	(131,463)	(5.5)
Administrative expenses	(45,212)	(26,373)	71.4	(113,632)	(109,134)	4.1
Other operating expenses	(42,982)	(35,374)	21.5	(47,325)	(51,893)	(8.8)
Finance expenses	(10,223)	(12,285)	(16.8)	(44,022)	(52,265)	(15.8)
(Loss) before taxation	(68,145)	(34,199)	(99.3)	(85,469)	(32,823)	(160.4)
Income tax expense	(2,285)	(131)	1,644.3	(5,045)	(694)	626.9
(Loss) for the period, representing total comprehensive (loss)	(70,430)	(34,330)	(105.2)	(90,514)	(33,517)	(170.1)
Total comprehensive (loss) attributable to:						
Owners of the Company	(67,430)	(34,330)	(96.4)	(87,514)	(33,517)	(161.1)
Gross profit margin	9.4%	12.2%	(23.0)	9.7%	10.3%	(5.8)
Net (loss) margin	(12.6%)	(6.5%)	(93.8)	(4.1%)	(1.6%)	(156.3)
(Loss) per share (RMB cents)						
- Basic	(11.9)	(5.8)	(105.2)	(15.2)	(5.6)	(171.4)
- Diluted	(11.9)	(5.8)	(105.2)	(15.2)	(5.6)	(171.4)

Notes to the Comprehensive Income Statement

	4QFY18	4QFY17	Change	FY18	FY17	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss) before tax is arrived at after charging/ (crediting)						
Interest income	(42)	(354)	(88.1)	(1,753)	(2,504)	(30.0)
Interest expense on borrowings	10,223	12,285	(16.8)	44,022	52,265	(15.8)
Depreciation of plant and equipment	19,746	22,027	(10.4)	79,784	83,981	(5.0)
Amortisation of land use rights	267	267	-	1,069	1,069	-
Amortisation of government grants	(1,349)	(1,680)	(19.7)	(5,384)	(6,718)	(19.9)
Foreign exchange (gain) /loss (net)	(170)	23	839.1	(288)	245	217.6
Loss/(gain) on disposal of plant and equipment	312	52	500.0	(67)	6,482	(101.0)
Impairment of property, plant and equipment	41,134	34,000	21.0	41,134	34,000	21.0
Reversal of impairment of property, plant and equipment	-	-	-	-	(67,441)	(100.0)
Allowance for doubtful trade receivables	5,940	1,889	214.5	5,940	1,884	215.3
Allowance for slow-moving inventory	1,220	440	177.3	1,030	440	134.1

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-2018	31-Dec-2017	31-Dec-2018	31-Dec-2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Inventories	234,981	188,437	-	-
Trade receivables	180,132	177,594	-	-
Other receivables, deposits and prepayments	47,843	45,359	48	35
Income tax prepaid	-	684	-	-
Cash and cash equivalents ⁽¹⁾	163,722	190,258	1,152	3,266
	<u>626,678</u>	<u>602,332</u>	<u>1,200</u>	<u>3,301</u>
Non-current assets				
Investment in subsidiaries	-	-	321,044	336,954
Financial asset at FVTPL	2,060	2,060	-	-
Property, plant and equipment	546,180	640,389	9	-
Land use rights	42,606	43,675	-	-
	<u>590,846</u>	<u>686,124</u>	<u>321,053</u>	<u>336,954</u>
Total assets	<u>1,217,524</u>	<u>1,288,456</u>	<u>322,253</u>	<u>340,255</u>
LIABILITIES				
Current liabilities				
Trade payables	304,811	247,185	-	-
Other payables and accruals	95,905	93,795	1,047	995
Amount owing to related parties	2,875	1,650	-	-
Amount owing to subsidiaries	-	-	4,120	836
Interest payable to a Director	303	119	303	119
Amount owing to a Director	12,712	-	12,712	-
Interest-bearing loans and borrowings	180,000	220,000	-	-
Deferred income	5,046	5,355	-	-
Income tax payable	541	-	-	-
	<u>602,193</u>	<u>568,104</u>	<u>18,182</u>	<u>1,950</u>
Non-current liabilities				
Interest-bearing loans and borrowings	539,390	577,150	-	-
Amount owing to a related party	38,000	-	-	-
Amount owing to a Director	-	9,864	-	9,864
Deferred income	32,518	37,401	-	-
Deferred taxation	589	589	-	-
	<u>610,497</u>	<u>625,004</u>	<u>-</u>	<u>9,864</u>
Total liabilities	<u>1,212,690</u>	<u>1,193,108</u>	<u>18,182</u>	<u>11,814</u>
NET ASSETS	<u>4,834</u>	<u>95,348</u>	<u>304,071</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	(395,269)	(304,755)	(4,652)	19,718
TOTAL EQUITY	4,834	95,348	304,071	328,441

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

	31- Dec-2018	31-Dec-2017
	RMB'000	RMB'000
Cash and bank balances	87,322	92,978
Pledged cash deposits	76,400	97,280
	163,722	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-Dec-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
160,000	32,712	200,000	20,000

Amount repayable after one year

As at 31-Dec-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
379,390	198,000	397,150	189,864

Details of any collateral

As at 31 December 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.

	4QFY18	4QFY17	FY18	FY17
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss) before taxation	(68,145)	(34,199)	(85,469)	(32,823)
Adjustments for: -				
Depreciation of property plant and equipment	19,746	22,027	79,784	83,981
Amortisation of land use rights	267	267	1,069	1,069
Amortisation of government grants	(1,349)	(1,680)	(5,384)	(6,718)
Loss/(Gain) on disposal of plant and equipment	312	52	(67)	6,482
Interest expense	10,223	12,285	44,022	52,265
Interest income	(42)	(354)	(1,753)	(2,504)
Impairment of plant and equipment	41,134	34,000	41,134	34,000
Reversal of impairment of plant and equipment	-	-	-	(67,441)
Allowance for slow-moving inventory (net)	1,220	440	1,030	440
Allowance for doubtful trade receivables (net)	5,940	1,889	5,940	1,884
Operating profit before working capital changes	9,306	34,727	80,306	70,635
Changes in working capital:				
Inventories	(65,731)	(42,677)	(47,574)	(13,323)
Trade receivables	13,294	4,859	(7,023)	5,175
Other receivables, deposits and prepayments	6,542	16,470	(3,939)	71,840
Amount owing by related parties	-	75	-	950
Trade payables	22,368	14,464	57,626	13,231
Other payables and accruals	7,894	(6,181)	2,110	(4,920)
Amount owing to related parties	350	147	1,225	100
Cash (used in)/generated from operations	(5,977)	21,884	82,731	143,688
Income taxes paid	(1,622)	-	(3,820)	(1,639)
Net cash (used in)/generated from operating activities	(7,599)	21,884	78,911	142,049
Cash flows from investing activities				
Purchase of plant and equipment	(14,333)	(27,298)	(37,429)	(59,991)
Proceeds from disposal of plant and equipment	3,141	13,484	10,787	19,454
Proceeds from government grants	-	-	192	6,061
Interest income received	42	354	1,753	2,504
Net cash (used in) investing activities	(11,150)	(13,460)	(24,697)	(31,972)

Cash flows from financing activities

Payment of dividend	-	-	-	(5,859)
Interest expense paid	(10,175)	(12,285)	(43,838)	(52,146)
Cash deposits pledged	(10,000)	-	(76,000)	(286,769)
Pledged cash deposit being released	-	30,000	96,880	335,489
Proceeds from amount owing to a related party	(180)	-	38,000	-
Proceeds from amount owing to a Director	-	-	2,848	9,864
Repayment of interest - bearing loans and borrowings	(190,475)	(231,500)	(862,975)	(1,205,500)
Proceeds from interest - bearing loans and borrowings	248,165	160,150	785,215	1,032,650
Net cash generated from/(used in) financing activities	37,335	(53,635)	(59,870)	(172,271)
Net increase/(decrease) in cash and bank balances	18,586	(45,211)	(5,656)	(62,194)
Cash and bank balances at beginning of period/year	68,736	138,189	92,978	155,172
Cash and bank balances at end of period/year	87,322	92,978	87,322	92,978

- 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
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

	← 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 profit 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
Total comprehensive loss for the period	-	-	(34,536)	(34,536)
Balance as at 30 September 2017	308,723	91,380	(270,425)	129,678
Total comprehensive loss for the period	-	-	(34,330)	(34,330)
Balance as at 31 December 2017	308,723	91,380	(304,755)	95,348

COMPANY

	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

	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
Total comprehensive loss for the period	-	(1,935)	(1,935)
Balance as at 30 September 2017	308,723	57,165	365,888
Total comprehensive loss for the period	-	(37,447)	(37,447)
Balance as at 31 December 2017	308,723	19,718	328,441

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

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 has adopted the new financial reporting framework on 1 January 2018 and adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)s") which are effective on 1 January 2018.

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 has adopted the new/revised SFRS(I)s and interpretations of SFRS(I) ("INT SFRS(I)") on 1 January 2018.

In adopting the new framework, the Group has applied the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I)s, SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers. The adoption of the new framework did not give rise to any significant changes to the Group's financial statements except for the reclassifying of Unquoted China Investment from "Available-for-sale financial assets" to "Financial asset at FVTPL" (fair value through profit or loss) in the statement of financial position of the Group.

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

	4QFY18	4QFY17	FY18	FY17
(Loss) per share	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(a) Based on weighted average number of ordinary shares in issue	(11.9)	(5.8)	(15.2)	(5.6)
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	(11.9)	(5.8)	(15.2)	(5.6)

- 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-2018	31-Dec-2017	31-Dec-2018	31-Dec-2017
Net asset value per ordinary share	RMB 0.81 cents	RMB 16.1 cents	RMB 51.2 cents	RMB 55.3 cents

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.

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

4QFY18 versus 4QFY17

Revenue	4QFY18		4QFY17		Change
	RMB'000	%	RMB'000	%	
Corn refining	560,306	100.0	528,856	100.0	5.9
Others	127	-	13	-	876.9
Total	560,433	100.0	528,869	100.0	6.0

FY18 versus FY17

Revenue	FY18		FY17		Change
	RMB'000	%	RMB'000	%	
Corn refining	2,220,524	99.9	2,037,029	99.9	9.0
Others	2,286	0.1	1,288	0.1	77.5
Total	2,222,810	100.0	2,038,317	100.0	9.1

The Group's revenue for 4QFY18 increased by 6.0% from RMB 528.9 million in 4QFY17 to RMB 560.4 million in 4QFY18 mainly due to the increase in selling prices of our corn refining products. The revenue for FY18 increased by 9.1 % year-on-year ("y-o-y") from RMB 2.0 billion to RMB 2.2 billion. This was mainly due to both increases in sales volume and the average selling price of our corn refining segment.

For 4QFY18, sales volume for our corn refining segment increased by 1.6% from 268K ("K"=1,000) tonnes to 272K tonnes period-on-period ("p-o-p"). This p-o-p increase was mainly attributable to the increase in the sales volume of by-products by 10.4%. For FY18, sales volume for our corn refining segment increased from 1,042K tonnes to 1,073K tonnes or by about 2.9% y-o-y. This y-o-y increase was mainly attributable to the increases in the sales volumes of corn sweeteners and by-products of about 0.7% and 10.1% respectively, partially offset by the decrease in the sales volume of corn starch of 100.0%.

For 4QFY18, the weighted average selling price of the Group's corn refining products increased by 4.3% p-o-p. This increase was attributable to the increase in price of corn sweeteners by about 3.7% and the increase in price of by-products by 13.5%. For FY18, the weighted average selling price of the Group's corn refining products increased by 6.0% y-o-y. This increase was attributable to the increases in prices of corn sweeteners and by-products by about 7.9% and 0.9% respectively.

The Group's export revenue in FY18 increased by 20.0% as compared to FY17. The export revenue as a percentage of total revenue in FY18 increased slightly to 3.4% from 3.1% in FY17. The sales to the export market were still poor because of our uncompetitive pricing due to our higher production cost.

Gross profit and gross profit margin

4QFY18 versus 4QFY17

	4QFY18		4QFY17	
	RMB'000	%	RMB'000	%
Corn refining	52,199	9.3	63,718	12.0
Others	649	510.2	996	NM
Total	<u>52,848</u>	9.4	<u>64,714</u>	12.2

FY18 versus FY17

	FY18		FY17	
	RMB'000	%	RMB'000	%
Corn refining	213,924	9.6	206,816	10.2
Others	2,079	90.9	2,328	180.7
Total	<u>216,003</u>	9.7	<u>209,144</u>	10.3

*NM – Not meaningful

For 4QFY18, gross profit decreased by 18.3% p-o-p to RMB 52.8 million, and the gross profit margin decreased from 12.2% in 4QFY17 to 9.4%. Group revenue increased by 6.0%, while the cost of sales for the corresponding period increased by 9.4%. These were due mainly to the increase in corn price of about 13.3% p-o-p.

For the similar reason, gross profit margin decreased from 10.3% in FY17 to 9.7% in FY18. Gross profit for FY18 increased by 3.3% y-o-y to RMB 216.0 million. Group revenue increased by 9.1% y-o-y, while the cost of sales increased by 9.7%. These were mainly due to the increase in corn price of about 10.3%, 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 2.1 million in FY18 compared with RMB 2.3 million in FY17.

Other operating income

Other operating income decreased by RMB 75.0 million from RMB 102.8 million in FY17 to RMB 27.8 million in FY18, due mainly to the reversal of impairment of property, plant and equipment of our Shandong subsidiary in May 2017 and the insurance claim compensation for the losses incurred from a fire at our Liaoning subsidiary recognized in FY17.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 5.5% or RMB 7.2 million from RMB 131.5 million in FY17 to RMB 124.2 million in FY18. This was mainly attributable to the decreases in transportation costs, staff costs and travel expenses.

- Administrative expenses

The Group's administrative expenses increased by 4.1% from RMB 109.1 million in FY17 to RMB 113.6 million in FY18. This was mainly due to the increase in allowance for doubtful trade receivables and the increase in staff costs (including salary, social insurance payment and other welfare), partially offset by 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 RMB 4.6 million from RMB 51.9 million in FY17 to RMB 47.3 million in FY18. This was due mainly to the losses of about RMB 7.3 million resulting from a fire at our Liaoning subsidiary in FY17 and the decrease in the loss on disposal of plant and equipment of about RMB 6.8 million which were partially offset by the increase in impairment of property, plant and equipment of about RMB 7.1 million and the increase in employee compensation for work-related injury.

Finance costs

The Group's finance costs decreased by 15.8% from RMB 52.3 million in FY17 to RMB 44.0 million in FY18 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 the increase in net profit generated from our Shaanxi subsidiary and Shandong 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 FY18 was higher than the statutory tax rate.

Total comprehensive loss

The Group's total comprehensive loss increased by 170.1% from RMB 33.5 million in FY17 to RMB 90.5 million in FY18. This was mainly due to the decrease in other operating income, partially offset by the increase in gross profit, and the decreases in operating expenses and finance costs.

b) Statement of Financial Position

GROUP	<u>FY18</u>	<u>FY17</u>
Inventory turnover days	39	36
Trade receivable turnover days	29	32
Trade payable turnover days	50	48
Debt equity ratio	159.3	8.46

(i) Current assets

Current assets increased by RMB 24.3 million from RMB 602.3 million as at 31 December 2017 to RMB 626.7 million as at 31 December 2018, mainly due to the increase in inventories of RMB 46.5 million, the increase in trade receivables of RMB 2.5 million, and the increase in other receivables, deposits and prepayments of RMB 2.5 million, which were partially offset by the decrease in cash and cash equivalents of RMB 26.5 million. Trade receivable turnover days decreased slightly from 32 days in FY17 to 29 days in FY18. Inventory turnover days was higher at 39 days in FY18 as compared with 36 days for FY17.

(ii) Non-current assets

The decrease in non-current assets of RMB 95.3 million was mainly due to the depreciation of RMB 80.9 million, the impairment of property, plant and equipment of RMB 41.1 million in our Liaoning subsidiary, Sichuan subsidiary and amino acid subsidiary, and the disposal of plant and equipment of RMB 10.7 million, which were partially offset by the capital expenditure of RMB 37.4 million.

(iii) Current liabilities

Current liabilities increased by RMB 34.1 million from RMB 568.1 million as at 31 December 2017 to RMB 602.2 million as at 31 December 2018, mainly due to the increase in trade payables of RMB 57.6 million, the increase in other payables and accruals of RMB 2.1 million and the increase in amount owing to a Director of RMB 12.7 million, partially offset by the decrease in short-term interest-bearing loans and borrowings of RMB 40.0 million (as at 31 December 2018, the pledged cash deposits decreased by RMB 20.9 million to RMB 76.4 million as compared to 31 December 2017). Trade payable turnover days was higher at 50 days compared with 48 days for FY17.

The Group's debt equity ratio was 159.3 times as at 31 December 2018 compared with 8.46 times as at 31 December 2017, and the net debt equity ratio was 125.4 times as at 31 December 2018 (31 December 2017: 6.47 times). This was mainly due to the decrease of RMB 90.5 million or 94.9% in total equity resulting from the net loss in FY18, partially offset by the decrease of RMB 36.9 million or 4.6% in total bank loans and other borrowings.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 14.5 million, due to the decrease in long-term interest-bearing bank loans of RMB 37.8 million, the decrease in amount owing to a Director of RMB 9.9 million, and the decrease in deferred income of RMB 4.9 million (mainly due to the amortization of government grants), which were partially offset by the increase of RMB 38.0 million in amount owing to a related party due to an interest-free loan extended to the Group.

(v) Shareholders' equity

As at 31 December 2018, shareholders' equity was lower than that as at 31 December 2017 mainly due to the net loss of RMB 90.5 million occurred in FY18.

c) Cash Flows

For FY18, the Group experienced net operating cash inflow of RMB 78.9 million. This comprised operating profit before changes in working capital of RMB 80.3 million adjusted for decrease in working capital of RMB 2.4 million and income taxes paid of RMB 3.8 million.

The decrease in working capital was mainly the result of:

- i) an increase in trade payables of RMB 57.6 million,
- ii) an increase in other payables and accruals of RMB 2.1 million, and
- iii) an increase in amount owing to related parties of RMB 1.2 million,

which were partially offset by

- iv) an increase in inventory of RMB 47.6 million,
- v) an increase in trade receivables of RMB 7.0 million, and

vi) an increase in other receivables, deposits and prepayments of RMB 3.9 million.

Net cash used in investing activities amounted to RMB 24.7 million in FY18. This was mainly due to the upgrading and reconstruction of our production line in our Liaoning subsidiary, Shaanxi subsidiary and Sichuan subsidiary in order to meet the stricter environmental requirements implemented by the central government, 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 10.8 million and the interest income of RMB 1.8 million.

Net cash used in financing activities was RMB 59.9 million, mainly due to the net decrease in total bank loans of RMB 77.8 million and payment of interest expense of RMB 43.8 million. These cash outflows were partially offset by the decrease in pledged cash deposits of RMB 20.9 million, and the increase in interest-free loans from a Director and a related party of RMB 2.8 million and RMB 38.0 million respectively.

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 4QFY18 are consistent with the commentary under section 10 of the announcement dated 13 November 2018 on the unaudited financial statements for the third quarter and nine months ended 30 September 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

While domestic consumption continues to be the key driver and a pillar of growth, China's economic growth in 2019 is forecasted to slow down to below 6.5% due to the US-China trade war and the threat of additional tariffs on Chinese products.

With the slowdown of China's economy, the Group expects its operations to be affected. However, the Management is hopeful and plans to remain competitive through restructuring and implementing cost-cutting measures. Due to market consolidation and unfavorable market conditions in Sichuan, the Group will stop production at the Sichuan plant for at least a year before reassessing its business viability thereafter. To continue serving our customers, the Shaanxi and Shandong subsidiaries will supply the products to the Sichuan subsidiary during this period instead. The Group also expects attrition of excess manpower with the production halt. Overall, this rationalization is expected to yield positive results for the Group's bottom line.

Looking forward, although the Group expects its raw corn material prices to remain stable at least in the short to medium term, the Management foresees increasing pressure on the prices of its corn sweeteners due to stiffer competition. The Group also expects higher capital investment for the upgrading of its plant and equipment so as to meet tighter regulations on air pollution control. Nonetheless, as the Chinese government continues to pump more liquidity into the economy, the Group expects to benefit from easing cash flow and lower borrowing costs.

On the whole, the Group remains cautiously optimistic of its business outlook for the year 2019.

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 fourth quarter ended 31 December 2018 or recommended for the financial year ended 31 December 2018.

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

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Year ended	Year ended
	31/12/2018	31/12/2017
	RMB'000	RMB'000
Rental expenses to Shaanxi Luzhou	2,100	2,100
Interest payable for loan granted by Niu Ji Xing	184	119

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.

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
	FY18	FY17
Segment revenue by location of customers		
- PRC	2,146,650	1,974,849
- Overseas	76,160	63,468
	<u>2,222,810</u>	<u>2,038,317</u>
Capital expenditures by geographical location of assets		
- PRC	37,419	59,991
- Overseas	10	-
	<u>37,429</u>	<u>59,991</u>
Segment assets by geographical location of assets		
- PRC	1,216,315	1,285,155
- Overseas	1,209	3,301
	<u>1,217,524</u>	<u>1,288,456</u>

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	<u>2,262,987</u>	<u>-</u>	<u>11,364</u>	<u>-</u>	<u>(51,541)</u>		<u>2,222,810</u>
Results:							
Segment profit/(loss)							
before tax	(30,715)	(681)	(2,077)	(24,185)	(24,811)	B	(82,469)
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

Operating segment for FY17

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
Revenue:							
External customers	2,037,029	-	1,288	-	-		2,038,317
Intra-segment sales	10,685	-	10,411	-	(21,096)	A	-
Total Revenue	2,047,714	-	11,699	-	(21,096)		2,038,317
Results:							
Segment profit/(loss) before tax	25,493	(1,468)	(1,728)	(43,444)	(11,676)	B	(32,823)
Income tax expense	(694)	-	-	-	-		(694)
Interest income from banks	2,503	-	1	-	-		2,504
Interest expenses	(52,139)	(2)	(4)	(120)	-		(52,265)
Depreciation of plant and equipment	(84,370)	(865)	(833)	-	2,087	C	(83,981)
Amortization of land use right	(1,069)	-	-	-	-		(1,069)
Impairment of property, plant and equipment	(34,000)	-	-	-	-		(34,000)
Reversal of impairment of property, plant and equipment	67,441	-	-	-	-		67,441
Loss on disposal of property, plant and							

equipment, net	(6,473)	(9)	-	-	-		(6,482)
Other non-cash income	3,926	5	463	-	-	D	4,394
Assets:							
Segment asset	1,281,798	3,712	10,853	3,301	(11,208)	E	1,288,456
Additions to non-current assets	59,988	-	3	-	-	F	59,991
Liabilities:							
Segment liabilities	1,179,232	41	2,269	10,977	589	G	1,193,108

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>FY18</u>	<u>FY17</u>
	RMB'000	RMB'000
Profit from inter-segment sales	1,548	2,385
Finance costs net of interest income	(42,269)	(49,761)
Impairment loss of investment in subsidiaries	15,910	35,700
Total	<u>(24,811)</u>	<u>(11,676)</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>FY18</u>	<u>FY17</u>
	RMB'000	RMB'000
Amortization of government grant	5,384	6,718
Allowance for of write-down of inventories, net	(1,030)	(440)
Addition of allowance for doubtful trade and other receivables, net	(5,940)	(1,884)
	<u>(1,586)</u>	<u>4,394</u>

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

	<u>FY18</u>	<u>FY17</u>
	RMB'000	RMB'000
Inter-segment assets	(9,660)	(11,208)

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>FY18</u>	<u>FY17</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		
	FY18	FY17	Change
	RMB'000	RMB'000	%
(a) Sales reported for first half year	1,062,105	996,143	6.6
(b) Sales reported for second half year	1,160,705	1,042,174	11.4
Variance (H2 vs H1) %	9.3	4.6	
(c) (Loss)/profit after tax and before attributing to non-controlling interests for first half year	(7,508)	35,349	(121.2)
(d) (Loss) after tax and before attributing to non-controlling interests for second half year	(83,006)	(68,866)	(20.5)
Variance (H2 vs H1) %	(1,005.6)	(294.8)	

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 FY2017 and no dividend proposed for FY2018.

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
28 February 2019