



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Second Quarter and
Half Year Results
Announcement for the Period
Ended 30 June 2019**



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

	2Q2019	2Q2018	Change	HY2019	HY2018	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	462,005	545,008	(15.2)	994,574	1,062,105	(6.4)
Cost of sales	(432,538)	(494,872)	(12.6)	(923,802)	(948,465)	(2.6)
Gross profit	29,467	50,136	(41.2)	70,772	113,640	(37.7)
Other operating income	5,466	8,448	(35.3)	10,336	13,721	(24.7)
Selling and distribution expenses	(26,579)	(31,650)	(16.0)	(58,432)	(62,621)	(6.7)
Administrative expenses	(26,846)	(22,885)	17.3	(47,810)	(44,580)	7.2
Other operating expenses	(1,063)	(1,707)	(37.7)	(1,375)	(2,410)	(42.9)
Finance expenses	(10,732)	(11,821)	(9.2)	(22,133)	(23,212)	(4.6)
(Loss) before taxation	(30,287)	(9,479)	(219.5)	(48,642)	(5,462)	(790.6)
Taxation	(5,948)	(1,041)	471.4	(7,492)	(2,046)	266.2
(Loss) for the period and total comprehensive (loss)	(36,235)	(10,520)	(244.4)	(56,134)	(7,508)	(647.7)
Total comprehensive (loss) attributable to:						
Equity holders of the Company	(36,235)	(10,520)	(244.4)	(56,134)	(7,508)	(647.7)
Gross profit margin	6.4%	9.2%	(30.4)	7.1%	10.7%	(33.6)
Net (loss) margin	(7.8%)	(1.9%)	(310.5)	(5.6%)	(0.7%)	(700.0)
(Loss) per share(RMB cents)						
- basic	(6.1)	(1.8)	(238.9)	(9.5)	(1.3)	(630.8)
- diluted	(6.1)	(1.8)	(238.9)	(9.5)	(1.3)	(630.8)

Notes to the Comprehensive Income Statement

	2Q2019	2Q2018	Change	HY2019	HY2018	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss) before tax is arrived at after charging/(crediting):						
Interest income	(573)	(594)	(3.5)	(1,056)	(1,090)	(3.1)
Interest expense on borrowings	10,732	11,821	(9.2)	22,133	23,212	(4.6)
Depreciation of property, plant and equipment	15,584	19,964	(21.9)	31,557	40,268	(21.6)
Amortisation of land use rights	268	268	Nil	535	535	Nil
Amortisation of government grants	(1,262)	(1,348)	(6.4)	(2,523)	(2,687)	(6.1)
Foreign exchange (gain) /loss, net	(18)	31	158.1	229	(26)	(980.8)
(Gain) on disposal of plant and equipment, net	(48)	(140)	(65.7)	(28)	(186)	(84.9)
Reversal of allowance for doubtful trade receivables	(400)	-	-	(1,322)	-	-
Reversal of allowance for slow-moving inventory	(442)	(190)	132.6	(442)	(190)	132.6

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-2019	31-Dec-2018	30-Jun-2019	31-Dec-2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Inventories	194,461	234,981	-	-
Trade receivables	158,422	180,132	-	-
Other receivables, deposits and prepayments	47,594	47,843	19,063	48
Cash and cash equivalents ⁽¹⁾	145,302	163,722	1,724	1,152
	<u>545,779</u>	<u>626,678</u>	<u>20,787</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	520,416	546,180	8	9
Land use rights	42,071	42,606	-	-
	<u>564,547</u>	<u>590,846</u>	<u>321,052</u>	<u>321,053</u>
Total assets	<u>1,110,326</u>	<u>1,217,524</u>	<u>341,839</u>	<u>322,253</u>
LIABILITIES				
Current liabilities				
Trade payables	286,140	304,811	-	-
Other payables and accruals	77,673	95,905	606	1,047
Amount owing to related parties	3,375	2,875	-	-
Amount owing to subsidiaries	-	-	5,538	4,120
Interest payable to a Director	380	303	380	303
Amount owing to a Director	12,712	12,712	12,712	12,712
Amount owing to a related party	9,000	-	-	-
Interest-bearing loans and borrowings	160,000	180,000	-	-
Deferred income	5,046	5,046	-	-
Income tax payable	196	541	-	-
	<u>554,522</u>	<u>602,193</u>	<u>19,236</u>	<u>18,182</u>
Non-current liabilities				
Interest-bearing loans and borrowings	538,340	539,390	-	-
Amount owing to a related party	38,180	38,000	-	-
Deferred income	29,995	32,518	-	-
Deferred taxation	589	589	-	-
	<u>607,104</u>	<u>610,497</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,161,626</u>	<u>1,212,690</u>	<u>19,236</u>	<u>18,182</u>
NET ASSETS	<u>(51,300)</u>	<u>4,834</u>	<u>322,603</u>	<u>304,071</u>

EQUITY

Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profits	(451,403)	(395,269)	13,880	(4,652)
TOTAL EQUITY	(51,300)	4,834	322,603	304,071

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

	30-Jun-2019	31-Dec-2018
	RMB'000	RMB'000
Cash and bank balances	68,902	87,322
Pledged cash deposits	76,400	76,400
	145,302	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 30-Jun-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
160,000	21,712	160,000	32,712

Amount repayable after one year

As at 30-Jun-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
378,340	198,180	379,390	198,000

Details of any collateral

As at 30 June 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.

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

	2Q2019	2Q2018	HY2019	HY2018
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
(Loss) before taxation	(30,287)	(9,479)	(48,642)	(5,462)
Adjustments for:-				
Depreciation of plant and equipment	15,584	19,964	31,557	40,268
Amortisation of land use rights	268	268	535	535
Amortisation of government grants	(1,262)	(1,348)	(2,523)	(2,687)
(Gain) on disposal of plant and equipment	(48)	(140)	(28)	(186)
Interest expense	10,732	11,821	22,133	23,212
Interest income	(573)	(594)	(1,056)	(1,090)
Reversal of allowance for slow-moving inventory	(442)	(190)	(442)	(190)
Reversal of allowance for doubtful trade receivables	(400)	-	(1,322)	-
Operating (loss)/profit before working capital changes	(6,428)	20,302	212	54,400
Changes in working capital:				
Inventories	24,433	(13,729)	40,962	(33,496)
Trade receivables	55,724	(16,956)	22,472	(23,636)
Other receivables, deposits and prepayments	8,462	(10,242)	809	(19,021)
Trade payables	(73,818)	12,316	(18,671)	44,639
Other payables and accruals	(340)	7,252	(18,232)	(5,268)
Amount owing to related parties	350	175	500	525
Cash generated from/(used in) operations	8,383	(882)	28,052	18,143
Income taxes paid	(7,262)	(1,126)	(7,837)	(1,278)
Net cash generated from/(used in) operating activities	1,121	(2,008)	20,215	16,865
Investing activities				
Purchase of plant and equipment	(5,976)	(7,485)	(11,570)	(11,414)
Proceeds from disposal of plant and equipment	3,588	2,745	5,805	5,209
Proceeds from government grants	-	-	-	192
Interest received	573	594	1,056	1,090
Net cash (used in) investing activities	(1,815)	(4,146)	(4,709)	(4,923)

Financing activities

Interest paid	(10,701)	(11,776)	(22,056)	(23,123)
Cash deposits pledged	(36,000)	(36,000)	(66,000)	(66,000)
Pledged cash deposit being released	36,000	36,880	66,000	66,880
Proceeds from amount owing to a related party	9,180	-	9,180	-
Proceeds from amount owing to a Director	-	2,848	-	2,848
Repayment of interest-bearing loans and borrowings	(265,050)	(202,000)	(519,050)	(495,000)
Proceeds from interest-bearing loans and borrowings	268,000	228,050	498,000	508,050
Net cash generated from/(used in) financing activities	1,429	18,002	(33,926)	(6,345)
Net increase/(decrease) in cash and bank balances	735	11,848	(18,420)	5,597
Cash and bank balances at beginning of period	68,167	86,727	87,322	92,978
Cash and bank balances at end of period	68,902	98,575	68,902	98,575

- 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 →			Total
	Share Capital	Statutory Reserves [#]	Accumulated Loss	
	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)

	← Attributable to owners of the company →			Total
	Share Capital	Statutory Reserves [#]	Accumulated Loss	
	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

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

	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

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 2019. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 30 June 2019 and 30 June 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	
	30-Jun-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

	2Q2019	2Q2018	HY2019	HY2018
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss) per share				
(a) Based on weighted average number of ordinary shares in issue; and	(6.1)	(1.8)	(9.5)	(1.3)
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	(6.1)	(1.8)	(9.5)	(1.3)

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-2019	31-Dec-2018	30-Jun-2019	31-Dec-2018
Net asset value per ordinary share	RMB (8.6) cents	RMB 0.8 cents	RMB 54.3 cents	RMB 51.2 cents

30-Jun-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 51,300,000 and the Company's net asset value as at the end of the period of RMB 322,603,000 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

2QFY19 versus 2QFY18

Revenue	2QFY19		2QFY18		Change
	RMB'000	%	RMB'000	%	%
Corn refining	461,928	100.0	544,687	99.9	(15.2)
Others	77	NM	321	0.1	(76.0)
Total	<u>462,005</u>	<u>100.0</u>	<u>545,008</u>	<u>100.0</u>	<u>(15.2)</u>

1HFY19 versus 1HFY18

Revenue	1HFY19		1HFY18		Change
	RMB'000	%	RMB'000	%	%
Corn refining	992,528	99.8	1,061,607	100.0	(6.5)
Others	2,046	0.2	498	-	310.8
Total	<u>994,574</u>	<u>100.0</u>	<u>1,062,105</u>	<u>100.0</u>	<u>(6.4)</u>

The Group's revenue for 2QFY19 decreased by 15.2% from RMB 545.0 million in 2QFY18 to RMB 462.0 million in 2QFY19 while revenue for the six-month period ("1HFY19") decreased by 6.4% year-on-year ("y-o-y") from RMB 1,062.1 million to RMB 994.6 million. This was mainly due to decreases in both the weighted average selling price and sales volume of the Group's corn refining products.

For 2QFY19, sales volume for the corn refining segment decreased from 259K ("K"=1,000) tonnes to 226K tonnes or about 12.5% y-o-y. This decrease was attributable to the decreases in the sales volume of corn sweeteners and by-products by about 15.3% and 5.4% respectively. For 1HFY19, sales volume for the corn refining segment decreased by 4.7% y-o-y from 507K tonnes to 483K tonnes. This decrease was attributable to the decreases in the sales volume of corn sweeteners and by-products by 6.1% and 1.3% respectively.

For 2QFY19, the weighted average selling price of the Group's corn refining products decreased by 3.0% y-o-y. The decrease was mainly attributable to the decreases in average selling prices of corn sweeteners and by-products by 2.0% and 1.7% respectively. The weighted average price of the Group's corn refining products for 1HFY19 decreased by 1.9% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners and by-products by 1.8% and 0.1%.

The Group's export revenue in 1HFY19 increased by 15.9% as compared to 1HFY18. While the export revenue

as a percentage of total revenue increased from 3.6% in 1HFY18 to 4.4% in 1HFY19. The sales to the export market remained insignificant because of uncompetitive pricing due to the Group's higher production cost.

Gross profit and gross profit margin

2QFY19 versus 2QFY18

	2QFY19		2QFY18	
	RMB'000	%	RMB'000	%
Corn refining	28,995	6.3	49,639	9.1
Others	472	618.3	497	154.8
Total	<u>29,467</u>	<u>6.4</u>	<u>50,136</u>	<u>9.2</u>

1HFY19 versus 1HFY18

	1HFY19		1HFY18	
	RMB'000	%	RMB'000	%
Corn refining	69,664	7.0	112,627	10.6
Others	1,108	54.2	1,013	203.3
Total	<u>70,772</u>	<u>7.1</u>	<u>113,640</u>	<u>10.7</u>

For 2QFY19, gross profit decreased by 41.2% or about RMB 20.7 million y-o-y, mainly attributable to the decrease in gross profit of the corn refining segment by 41.6% or about RMB 20.6 million. Revenue decreased by 15.2% y-o-y, while the cost of sales for the corresponding period decreased by 12.6%. Group gross profit margin decreased by 2.8 percentage points y-o-y to 6.4%. This was mainly due to decreases in both the selling prices and sales volume of the corn refining products and the increase in price of raw corn material.

For a similar reason, Group gross profit margin in 1HFY19 decreased by 3.6 percentage points y-o-y to 7.1%, and the gross profit decreased by 37.7% or about RMB 42.9 million y-o-y mainly attributable to the decrease in gross profit of the corn refining segment by 38.1% or about RMB 43.0 million. Group revenue decreased by 6.4% y-o-y, while the cost of sales for the corresponding period decreased by 2.6%.

The others segment, including the Group's Hongzhou subsidiary, made a gross profit of RMB 1.1 million in 1HFY19, compared with RMB 1.0 million in 1HFY18.

Other operating income

Other operating income decreased by RMB 3.4 million from RMB 13.7 million in 1HFY18 to RMB 10.3 million in 1HFY19 due mainly to the decrease in gain on sale of consumables and waste materials by RMB 2.7 million and the decrease in government grants and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 6.7% from RMB 62.6 million in 1HFY18 to RMB 58.4 million in 1HFY19. This was mainly attributable to the decreases in transportation costs and staff salaries.

- Administrative expenses

The Group's administrative expenses increased by 7.2% from RMB 44.6 million in 1HFY18 to RMB 47.8 million in 1HFY19. This was mainly due to staff retrenchment compensation by the Group's Sichuan subsidiary, partially offset by the decrease in expenses resulting from 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 1.0 million from RMB 2.4 million in 1HFY18 to RMB 1.4 million in 1HFY19. This was due mainly to the decrease in employee compensation for work-related injuries.

Finance expenses

The Group's finance expenses decreased by 4.6% from RMB 23.2 million in 1HFY18 to RMB 22.1 million in 1HFY19. This was attributable to the decrease in interest costs as a result of the decrease in bank loans by about RMB 112 million from RMB 810 million in 1HFY18 to RMB 698 million in 1HFY19.

Taxation

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. 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 1HFY19 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive loss increased by 647.7% from RMB 7.5 million in 1HFY18 to RMB 56.1 million in 1HFY19 due mainly to the decrease of RMB 42.9 million in gross profit and the increase in income tax expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>1HFY19</u>	<u>FY18</u>
Inventory turnover days	42	39
Trade receivable turnover days	31	29
Trade payable turnover days	58	50
Debt equity ratio	(14.8)	159.3

(i) Current assets

Current assets decreased by RMB 80.9 million from RMB 626.7 million as at 31 December 2018 to RMB 545.8 million as at 30 June 2019, due mainly to the decrease in inventories of RMB 40.5 million, the decrease in trade receivables of RMB 21.7 million, the decrease in cash and cash equivalents of RMB 18.4 million, and the decrease in other receivables, deposits and prepayments of RMB 0.2 million. Trade receivable turnover days was 31 days in 1HFY19, which was higher than that of FY18. Inventory turnover days was higher at 42 days in 1HFY19 as compared with 39 days for FY18.

(ii) Non-current assets

The decrease in non-current assets of RMB 26.3 million was mainly due to the depreciation of RMB 32.1 million and the disposal of plant and equipment of RMB 5.8 million, which were partially offset by the capital expenditure of RMB 11.6 million.

(iii) Current liabilities

Current liabilities decreased by RMB 47.7 million from RMB 602.2 million as at 31 December 2018 to RMB 554.5 million as at 30 June 2019, due mainly to the decrease in trade payables of RMB 18.7 million, the decrease in other payables and accruals of RMB 18.2 million, and the decrease in short-term bank loans of RMB 20.0 million, which were partially offset by the increase in amount owing to a related party of RMB 9.0 million. Trade payable turnover days was higher at 58 days, compared with 50 days for FY18.

The Group's debt equity ratio was negative 14.8 times as at 30 June 2019 compared with 159.3 times as at 31 December 2018, and the net debt equity ratio was negative 12.0 times as at 30 June 2019 (31 December 2018: 125.4 times). This was mainly due to the decrease of RMB 56.1 million in total equity resulting from the net loss in 1HFY19.

WORKING CAPITAL AND BANK BORROWINGS AS AT 30 JUNE 2019

The management will take active steps to manage the Group's working capital position. Currently, the Group has approximately RMB 9.0 million in short-term bank loans to be repaid by end of 3QFY19. The repayment of loans that are due by end of 3QFY19 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.

In addition, a director has procured and extended corporate and personal guarantees amounting to RMB478 million to secure bank loans granted to the Group.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 3.4 million due to the decrease in long-term bank loans of RMB 1.0 million and the decrease in deferred income of RMB 2.5 million (mainly due to the amortization of government grants).

(v) Shareholders' equity

As at 30 June 2019, shareholders' equity was lower than that as at 31 December 2018 mainly due to the net loss of RMB 56.1 million incurred in 1HFY19.

c) Cash Flows

For 1HFY19, the Group generated net operating cash inflow of RMB 20.2 million. This comprised operating profit before changes in working capital of RMB 0.2 million adjusted for decrease in working capital of RMB 27.8 million and the income tax paid of RMB 7.8 million.

The changes in working capital were mainly the result of:

- i) a decrease in inventory of RMB 41.0 million;
- ii) a decrease in trade receivables of RMB 22.5 million; and
- iii) a decrease in other receivables, deposits and prepayments of RMB 0.8 million,

which were partially offset by

- iv) a decrease in trade payables of RMB 18.7 million, and
- v) a decrease in other payables and accruals of RMB 18.2 million.

Net cash used in investing activities amounted to RMB 4.7 million in 1HFY19. This was mainly due to the equipment upgrading expenditure and purchase of packaging containers for finished products. These cash outflows were partially offset by the cash inflows arising from proceeds from the disposal of plant and equipment of RMB 5.8 million and the interest income of RMB 1.1 million.

Net cash used in financing activities was RMB 33.9 million, mainly due to the payment of interest expense of RMB 22.1 million and the net decrease in total bank loans of RMB 21.1 million, which was partially offset by the increase in amount owing to a related party of RMB 9.2 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 2QFY19 are consistent with the commentary under section 10 of the announcement dated 15 May 2019 on the unaudited financial statements for the first quarter ended 31 March 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

While the Chinese government has moved to counter the impact of the US-China trade war by boosting spending and delivering tax cuts, the Group is not optimistic of the domestic market demand for its corn sweetener products, especially from the food and beverage industry.

Notwithstanding the decline in the selling prices of its products, the Group continues to face poor demand from its downstream manufacturers who are affected by a decline in their exports. However, barring unforeseen changes to the government's policy in the supply of raw corn material, the prices of raw corn material are showing signs of stabilizing and this has provided some respite by keeping the gross profit margins from deteriorating. In terms of operations, the Group continues to generate net cash inflows from its operating activities.

As the Liaoning market is facing an over-supply situation, the management has decided to stop the production at its Liaoning subsidiary temporarily from July 2019 while continuing to service the customers through trading activities.

The management will continue to control its operating costs through restructuring and reorganizing its supply chain, with the Sichuan subsidiary already halting its production completely.

In view of the uncertainty of the trade war and the challenging conditions of the domestic market, the Group is not optimistic of its business outlook moving forward.

Reference is made to the Company's previous first quarter results announcement on 15 May 2019 and the commitment of the Executive Chairman, Mr Niu Ji Xing to ensure that the Group has sufficient working capital for its operations through the following measures:

- (i) The letter of undertaking to provide continuing financial support to the Group by Mr Niu Ji Xing shall continue to be in force and this is in addition to the extended corporate and personal guarantees amounting to RMB478 million to secure bank loans granted to the Group.
- (ii) He would stop drawing his salary until the financial performance of the Group has improved.

It is also noted that the Group is currently able to generate net cash inflow from its operating activities.

The management is monitoring the working capital of the Group closely.

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 declared for the second quarter ended 30 June 2019, in view of the loss for the quarter.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2019

	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
	30/06/2019	30/06/2018
Rental expenses to Shaanxi Luzhou	1,050	1,050
Interest payable for loan granted by Niu Ji Xing	77	89

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 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 2019 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
1 August 2019