



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Third Quarter and
Nine Months Results
Announcement for the Period
Ended 30 September 2019**



UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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.

	3QFY19	3QFY18	Change	9MFY19	9MFY18	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	489,387	600,272	(18.5)	1,483,961	1,662,377	(10.7)
Cost of sales	(448,415)	(550,757)	(18.6)	(1,372,217)	(1,499,222)	(8.5)
Gross profit	40,972	49,515	(17.3)	111,744	163,155	(31.5)
Other operating income	5,803	7,377	(21.3)	16,139	21,098	(23.5)
Selling and distribution expenses	(24,674)	(32,394)	(23.8)	(83,106)	(95,015)	(12.5)
Administrative expenses	(23,517)	(23,840)	(1.4)	(71,327)	(68,420)	4.2
Other operating expenses	(682)	(1,933)	(64.7)	(2,057)	(4,343)	(52.6)
Finance expenses	(9,683)	(10,587)	(8.5)	(31,816)	(33,799)	(5.9)
(Loss) before taxation	(11,781)	(11,862)	(0.7)	(60,423)	(17,324)	248.8
Taxation	(696)	(714)	(2.5)	(8,188)	(2,760)	196.7
(Loss) for the period and total comprehensive (loss)	(12,477)	(12,576)	(0.8)	(68,611)	(20,084)	241.6
Total comprehensive (loss) attributable to:						
Equity holders of the Company	(12,477)	(12,576)	(0.8)	(68,611)	(20,084)	241.6
Gross profit margin	8.4%	8.2%	2.4	7.5%	9.8%	(23.5)
Net (loss) margin	(2.5%)	(2.1%)	19.0	(4.6%)	(1.2%)	283.3
(Loss) per share (RMB cents)						
- basic	(2.1)	(2.1)	Nil	(11.6)	(3.4)	241.2
- diluted	(2.1)	(2.1)	Nil	(11.6)	(3.4)	241.2

Notes to the Comprehensive Income Statement

	3QFY19	3QFY18	Change	9MFY19	9MFY18	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss) before tax is arrived at after charging/ (crediting):						
Interest income	(177)	(621)	(71.5)	(1,233)	(1,711)	(27.9)
Interest expense on borrowings	9,683	10,587	(8.5)	31,816	33,799	(5.9)
Depreciation of plant and equipment	14,520	19,770	(26.6)	46,077	60,038	(23.3)
Amortisation of land use rights	267	267	Nil	802	802	Nil
Amortisation of government grants	(1,262)	(1,348)	(6.4)	(3,785)	(4,035)	(6.2)
Foreign exchange (gain)/loss, net	(19)	(92)	(79.3)	210	(118)	(278.0)
(Gain) on disposal of plant and equipment, net	(70)	(193)	(63.7)	(98)	(379)	(74.1)
Reversal of allowance for doubtful trade receivables	(600)	-	-	(1,922)	-	-
Reversal of allowance for slow-moving inventory	(1,348)	-	-	(1,790)	(190)	842.1

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	
	30-Sep-2019	31-Dec-2018	30-Sep-2019	31-Dec-2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Inventories	128,207	234,981	-	-
Trade receivables	153,176	180,132	-	-
Other receivables, deposits and prepayments	50,918	47,843	19,034	48
Cash and cash equivalents ⁽¹⁾	129,051	163,722	592	1,152
	<u>461,352</u>	<u>626,678</u>	<u>19,626</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	508,142	546,180	7	9
Land use rights	41,804	42,606	-	-
	<u>552,006</u>	<u>590,846</u>	<u>321,051</u>	<u>321,053</u>
Total assets	<u>1,013,358</u>	<u>1,217,524</u>	<u>340,677</u>	<u>322,253</u>
LIABILITIES				
Current liabilities				
Trade payables	226,361	304,811	-	-
Other payables and accruals	80,329	95,905	521	1,047
Amount owing to related parties	4,780	2,875	-	-
Amount owing to subsidiaries	-	-	5,942	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	14,000	-	-	-
Interest-bearing loans and borrowings	184,340	180,000	-	-
Deferred income	5,046	5,046	-	-
Income tax payable	685	541	-	-
	<u>528,633</u>	<u>602,193</u>	<u>19,555</u>	<u>18,182</u>
Non-current liabilities				
Interest-bearing loans and borrowings	481,000	539,390	-	-
Amount owing to a related party	38,180	38,000	-	-
Deferred income	28,733	32,518	-	-
Deferred taxation	589	589	-	-
	<u>548,502</u>	<u>610,497</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,077,135</u>	<u>1,212,690</u>	<u>19,555</u>	<u>18,182</u>
NET ASSETS	<u>(63,777)</u>	<u>4,834</u>	<u>321,122</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	(463,880)	(395,269)	12,399	(4,652)
TOTAL EQUITY	(63,777)	4,834	321,122	304,071

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

	30- Sep-2019	31-Dec-2018
	RMB'000	RMB'000
Cash and bank balances	52,651	87,322
Pledged cash deposits	76,400	76,400
	129,051	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-Sep-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
184,340	26,712	160,000	32,712

Amount repayable after one year

As at 30-Sep-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
321,000	198,180	379,390	198,000

Details of any collateral

As at 30 September 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;
- (vii) pledge of cash deposit of the Group; and
- (viii) In connection with the corporate guarantees given by third parties totaling RMB140 million, our Group has given reciprocal corporate guarantees of an aggregate amount of RMB100.0 million for the benefit of those third parties, being three companies.

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

	3QFY19	3QFY18	9MFY19	9MFY18
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss) before taxation	(11,781)	(11,862)	(60,423)	(17,324)
Adjustments for:-				
Depreciation of plant and equipment	14,520	19,770	46,077	60,038
Amortisation of land use rights	267	267	802	802
Amortisation of government grants	(1,262)	(1,348)	(3,785)	(4,035)
(Gain) on disposal of plant and equipment	(70)	(193)	(98)	(379)
Interest expense	9,683	10,587	31,816	33,799
Interest income	(177)	(621)	(1,233)	(1,711)
Reversal of allowance for slow-moving inventory	(1,348)	-	(1,790)	(190)
Reversal of allowance for doubtful trade receivables	(600)	-	(1,922)	-
Operating profit before working capital changes	9,232	16,600	9,444	71,000
Changes in working capital:				
Inventories	67,602	51,653	108,564	18,157
Trade receivables	5,846	3,319	28,318	(20,317)
Other receivables, deposits and prepayments	(3,324)	8,540	(2,515)	(10,481)
Trade payables	(59,779)	(9,381)	(78,450)	35,258
Other payables and accruals	2,656	(516)	(15,576)	(5,784)
Amount owing to related parties	1,405	350	1,905	875
Cash generated from operations	23,638	70,565	51,690	88,708
Income taxes paid	(207)	(920)	(8,044)	(2,198)
Net cash generated from operating activities	23,431	69,645	43,646	86,510
Cash flows from investing activities				
Purchase of plant and equipment	(3,654)	(11,682)	(15,224)	(23,096)
Proceeds from disposal of plant and equipment	1,478	2,437	7,283	7,646
Proceeds from government grants	-	-	-	192
Interest income received	177	621	1,233	1,711
Net cash used in investing activities	(1,999)	(8,624)	(6,708)	(13,547)

Cash flows from financing activities

Interest expense paid	(9,683)	(10,540)	(31,739)	(33,663)
Cash deposits pledged	-	-	(66,000)	(66,000)
Pledged cash deposit being released	-	30,000	66,000	96,880
Proceeds from amount owing to a related party	5,000	38,180	14,180	38,180
Proceeds from amount owing to a Director	-	-	-	2,848
Repayment of interest-bearing loans and borrowings	(73,000)	(177,500)	(592,050)	(672,500)
Proceeds from interest-bearing loans and borrowings	40,000	29,000	538,000	537,050
Net cash used in financing activities	(37,683)	(90,860)	(71,609)	(97,205)
Net decrease in cash and bank balances	(16,251)	(29,839)	(34,671)	(24,242)
Cash and bank balances at beginning of period	68,902	98,575	87,322	92,978
Cash and bank balances at end of period	52,651	68,736	52,651	68,736

- 1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

GROUP

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	Accumulated Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2019	308,723	91,380	(395,269)	4,834
Total comprehensive loss for the period	-	-	(19,899)	(19,899)
Balance as at 31 March 2019	308,723	91,380	(415,168)	(15,065)
Total comprehensive loss for the period	-	-	(36,235)	(36,235)
Balance as at 30 June 2019	308,723	91,380	(451,403)	(51,300)
Total comprehensive loss for the period	-	-	(12,477)	(12,477)
Balance as at 30 September 2019	308,723	91,380	(463,880)	(63,777)

	← 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

COMPANY

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

	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
Total comprehensive loss for the period	-	(1,933)	(1,933)
Balance as at 30 September 2018	308,723	13,534	322,257

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 June 2019. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 30 September 2019 and 30 September 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-Sep-2019	31-Dec-2018
Ordinary shares	594,000,000	594,000,000

- 1(d)(iv) A statement showing all sales, transfers, 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.

	3QFY19 RMB (cents)	3QFY18 RMB (cents)	9MFY19 RMB (cents)	9MFY18 RMB (cents)
(Loss) per share				
(a) Based on weighted average number of ordinary shares in issue; and	(2.1)	(2.1)	(11.6)	(3.4)
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	(2.1)	(2.1)	(11.6)	(3.4)

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-Sep-2019	31-Dec-2018	30-Sep-2019	31-Dec-2018
Net asset value per ordinary share	RMB (10.7) cents	RMB 0.8 cents	RMB 54.1 cents	RMB 51.2 cents

30-Sep-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 63,777,000 and the Company's net asset value as at the end of the period of RMB 321,122,000 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

3QFY19 versus 3QFY18

Revenue	3QFY19		3QFY18		Change
	RMB'000	%	RMB'000	%	%
Corn refining	489,174	100.0	598,611	99.7	(18.3)
Others	213	NM	1,661	0.3	(87.2)
Total	489,387	100.0	600,272	100.0	(18.5)

9MFY19 versus 9MFY18

Revenue	9MFY19		9MFY18		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,481,702	99.8	1,660,218	99.9	(10.8)
Others	2,259	0.2	2,159	0.1	4.6
Total	1,483,961	100.0	1,662,377	100.0	(10.7)

The Group's revenue decreased by 18.5% from RMB 600.3 million in 3QFY18 to RMB 489.4 million in 3QFY19, while revenue for the nine-month period ("9MFY19") decreased by 10.7% year-on-year ("y-o-y") from RMB 1.7 billion to RMB 1.5 billion. This was mainly due to decreases in sales volume of our corn refining segment.

For 3QFY19, sales volume for the corn refining segment decreased from 293K ("K"=1,000) tonnes to 226K tonnes or about 23.1% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners and by-products of about 21.9% and 26.2% respectively. For 9MFY19, sales volume for the corn refining segment decreased from 800K tonnes to 709K tonnes or by about 11.4% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners and by-products of about 11.9% and 10.2% respectively.

For 3QFY19, the weighted average selling price of the Group's corn refining products increased by 6.0% y-o-y. The increase was mainly attributable to the increases in average selling prices of corn sweeteners and by-products by 4.6% and 13.4% respectively. The weighted average selling price of the Group's corn refining products for 9MFY19 increased by 0.8% y-o-y. This increase was attributable to the increases in average selling prices of corn sweeteners and by-products by about 0.6% and 3.7% respectively.

The Group's export revenue in 9MFY19 increased by 24.6% as compared to 9MFY18, while the export revenue as a percentage of total revenue increased from 3.3% in 9MFY18 to 4.7% in 9MFY19. 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

3QFY19 versus 3QFY18

	3QFY19		3QFY18	
	RMB'000	%	RMB'000	%
Corn refining	40,560	8.3	49,098	8.2
Others	412	193.9	417	25.1
Total	<u>40,972</u>	8.4	<u>49,515</u>	8.2

9MFY19 versus 9MFY18

	9MFY19		9MFY18	
	RMB'000	%	RMB'000	%
Corn refining	110,224	7.4	161,725	9.7
Others	1,520	67.3	1,430	66.2
Total	<u>111,744</u>	7.5	<u>163,155</u>	9.8

Gross profit for 3QFY19 decreased significantly by 17.3% or RMB 8.5 million y-o-y, and the gross profit margin increased by 0.2 percentage points from 8.2% in 3QFY18 to 8.4%. Revenue decreased by 18.5% y-o-y, while the cost of sales for the corresponding period decreased by 18.6%. This was mainly due to the higher average selling price of our corn refining products.

Gross profit for 9MFY19 decreased significantly by 31.5% or about RMB 51.4 million y-o-y mainly attributable to the decrease in gross profit of our corn refining segment. Group revenue for 9MFY19 decreased by 10.7% y-o-y, while the cost of sales for the corresponding period decreased by 8.5%. Group gross profit margin decreased by 2.3 percentage points y-o-y to 7.5%.

The others segment including our Hongzhou subsidiary made a gross profit of RMB 1.5 million in 9MFY19, compared with RMB 1.4 million in 9MFY18.

Other operating income

Other operating income decreased by 23.5% from RMB 21.1 million in 9MFY18 to RMB 16.1 million in 9MFY19 due mainly to the decrease in gain on sale of consumables and waste materials by RMB 3.7 million and the decrease in government grants and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 12.5% from RMB 95.0 million in 9MFY18 to RMB 83.1 million in 9MFY19. This is mainly attributable to the decrease in transportation costs and staff costs.

- Administrative expenses

The Group's administrative expenses increased by 4.2% from RMB 68.4 million in 9MFY18 to RMB 71.3 million in 9MFY19. This was mainly due to staff retrenchment compensation by the Group's Sichuan subsidiary, and the increase in office supplies, which were partially offset by the reversal of allowance for doubtful trade receivables.

- Other operating expenses

Other operating expenses decreased by RMB 2.3 million from RMB 4.3 million in 9MFY18 to RMB 2.1 million in 9MFY19. This was due mainly to the decrease in employee compensation for work-related injury.

Finance costs

The Group's finance costs decreased by 5.9% or about RMB 2.0 million from RMB 33.8 million in 9MFY18 to RMB 31.8 million in 9MFY19. This was attributable to the decrease in interest costs arising from decrease in average bank loans.

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, there is a difference between the effective tax rate in 9MFY19 and the statutory tax rate.

Total comprehensive loss

The Group's total comprehensive loss increased by 241.6% or about RMB 48.5 million y-o-y from RMB 20.1 million in 9MFY18 to RMB 68.6 million in 9MFY19 due mainly to the decrease of RMB 51.4 million in gross profit, the decrease in other operating income, and the increase in income tax expenses, partially offset by the decreases in operating expenses and finance costs.

b) Statement of Financial Position

<u>GROUP</u>	<u>9MFY19</u>	<u>FY18</u>
Inventory turnover days	36	39
Trade receivable turnover days	31	29
Trade payable turnover days	53	50
Debt equity ratio	(11.5)	159.3

(i) Current assets

Current assets decreased by RMB 165.3 million from RMB 626.7 million as at 31 December 2018 to RMB 461.4 million as at 30 September 2019, due mainly to the decrease in inventories of RMB 106.8 million, the decrease in trade receivables of RMB 27.0 million, and the decrease in cash and cash equivalents of RMB 34.7 million, which were partially offset by the increase in other receivables, deposits and prepayments of RMB 3.1 million. Trade receivable turnover days increased slightly from 29 days in FY18 to 31 days in 9MFY19. Inventory turnover days was lower at 36 days in 9MFY19 as compared with 39 days for FY18.

(ii) Non-current assets

The decrease in non-current assets of RMB 38.8 million was mainly due to the depreciation of RMB 46.9 million and the disposal of plant and equipment of RMB 7.2 million, which were partially offset by the capital expenditure of RMB 15.2 million.

(iii) Current liabilities

Current liabilities decreased by RMB 73.6 million from RMB 602.2 million as at 31 December 2018 to RMB 528.6 million as at 30 September 2019, due mainly to the decrease in trade payables of RMB 78.5 million and the decrease in other payables and accruals of RMB 15.6 million, which were partially offset by the increase in short-term bank loans of RMB 4.3 million, the increase in borrowings from a related party of RMB 14.0 million and the increase in amount owing to related parties of RMB 1.9 million. Trade payable turnover days in 9MFY19 was higher at 53 days, compared with 50 days for FY18.

The Group's debt equity ratio was negative 11.5 times as at 30 September 2019 compared with 159.3 times as at 31 December 2018, and the net debt equity ratio was negative 9.4 times as at 30 September 2019 (31 December 2018: 125.4 times). This was mainly due to the decrease of RMB 68.6 million in total equity resulting from the net loss in 9MFY19 and the decrease of RMB 39.9 million in total bank loans and other borrowings.

WORKING CAPITAL AND BANK BORROWINGS AS AT 30 SEPTEMBER 2019

The management will take active steps to manage the Group's working capital position. As at 30 September 2019, the Group has approximately RMB 44.34 million in short-term bank loans to be repaid by end of 4QFY19. The repayment of loans that are due by end of 4QFY19 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 RMB473 million to secure bank loans granted to the Group.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 62.0 million due to the decrease in long-term bank loans of RMB 58.4 million (as at 30 September 2019, the long-term bank loan of our Sichuan subsidiary was reclassified as short-term loan due to the low possibility of renewal after repayment) and the decrease in deferred income of RMB 3.8 million (mainly due to the amortization of government grants).

(v) Shareholders' equity

As at 30 September 2019, shareholders' equity was lower than that as at 31 December 2018 mainly due to the net loss of RMB 68.6 million incurred in 9MFY19.

c) Cash Flows

For 9MFY19, the Group generated net operating cash inflow of RMB 43.6 million. This comprised operating profit before changes in working capital of RMB 9.4 million adjusted for decrease in working capital of RMB 42.2 million and the income tax paid of RMB 8.0 million.

The changes in working capital were mainly the result of:

- i) a decrease in inventory of RMB 108.6 million;
- ii) a decrease in trade receivables of RMB 28.3 million; and
- iii) an increase in amount owing to related parties of RMB 1.9 million,

which were partially offset by

- iv) a decrease in trade payables of RMB 78.5 million;
- v) a decrease in other payables and accruals of RMB 15.6 million; and
- vi) an increase in other receivables, deposits and prepayments of RMB 2.5 million.

Net cash used in investing activities amounted to RMB 6.7 million in 9MFY19. 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 7.3 million and the interest income of RMB 1.2 million.

Net cash outflow used in financing activities was RMB 71.6 million, mainly due to the net decrease in total bank loans of RMB 54.1 million and payment of interest expense of RMB 31.7 million. These cash outflows were partially offset by the increase in interest-free loans from a related party of RMB 14.2 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 3QFY19 are consistent with the commentary under section 10 of the announcement dated 1 August 2019 on the unaudited financial statements for the second quarter and half year ended 30 June 2019.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

China's economy has been slowing down rather significantly, affected by the weakening of the domestic economy and the external trade tensions with US and overall global slowdown.

In view of the poor domestic demand for our products, coupled with the increase in average raw corn material prices, the Group's revenue and gross profit margin have been affected. As the industry is still facing uncertainty due to the trade war, the management is of the view that the industry will continue its consolidation, stiffening the competition for market share. To face up to the challenging business climate, the Group has been cutting back on its capital investment in order to conserve cash in anticipation of more economic headwinds.

Since July 2019, the Group's operations have been scaled down with production only at its Shandong, Shaanxi and Henan subsidiaries. However, in view of the recent favourable local market conditions, the Group has resumed the production of its Liaoning subsidiary since early November 2019.

Update on the Company's Working Capital Position

To assist in ensuring that the Group has sufficient working capital for its operations, the Executive Chairman, Mr Niu Ji Xing has continued to provide his commitments as follows:

- (i) A letter of undertaking previously granted 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 corporate and personal guarantees granted and arranged by him, to secure RMB473 million of the Group's banking facilities as at 30 September 2019.
- (ii) He has since May 2019 stopped drawing his salary until the financial performance of the Group has improved.
- (iii) As at 30 September 2019, Mr Niu and his related company have granted a total loan amounting to RMB 64,892,178 to the Group.

It is also noted that for the financial period up to 30 September 2019, the Group generated positive cash flow from its operating activities with the EBIDTA of about RMB17 million as at 30 September 2019. As at 30 September 2019, the Group had cash of approximately RMB 129.05 million.

At the request of the Audit Committee, the management has on 10 November 2019 confirmed that the Group has not received any notifications from any financial institutions requiring early repayment of any loans.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been declared for the third quarter ended 30 September 2019 in view of the loss for the quarter.

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

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Nine months ended	Nine months ended
	30/09/2019	30/09/2018
	RMB'000	RMB'000
Rental expenses to Shaanxi Luzhou	1,575	1,575
Interest payable for loan granted by Niu Ji Xing	77	136

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 third quarter ended 30 September 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
13 November 2019