



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Third Quarter and
Nine Months Results
Announcement for the Period
Ended 30 September 2018**



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

	3QFY18	3QFY17	Change	9MFY18	9MFY17	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	600,272	513,305	16.9	1,662,377	1,509,448	10.1
Cost of sales	(550,757)	(476,760)	15.5	(1,499,222)	(1,365,018)	9.8
Gross profit	49,515	36,545	35.5	163,155	144,430	13.0
Other operating income	7,377	15,148	(51.3)	21,098	95,261	(77.9)
Selling and distribution expenses	(32,394)	(32,067)	1.0	(95,015)	(99,055)	(4.1)
Administrative expenses	(23,840)	(33,521)	(28.9)	(68,420)	(82,761)	(17.3)
Other operating expenses	(1,933)	(7,640)	(74.7)	(4,343)	(16,519)	(73.7)
Finance expenses	(10,587)	(12,939)	(18.2)	(33,799)	(39,980)	(15.5)
(Loss) / profit before taxation	(11,862)	(34,474)	65.6	(17,324)	1,376	(1,359.0)
Taxation	(714)	(62)	1,051.6	(2,760)	(563)	390.2
(Loss) / profit for the period and total comprehensive (loss)/income	(12,576)	(34,536)	63.6	(20,084)	813	(2,570.4)
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(12,576)	(34,536)	63.6	(20,084)	813	(2,570.4)
Gross profit margin	8.2%	7.1%	15.5	9.8%	9.6%	2.1
Net (loss)/profit margin	(2.1%)	(6.7%)	68.7	(1.2%)	0.1%	(1,300.0)
(Loss)/profit per share (RMB cents)						
- basic	(2.1)	(5.8)	63.8	(3.4)	0.1	(3,500.0)
- diluted	(2.1)	(5.8)	63.8	(3.4)	0.1	(3,500.0)

Notes to the Comprehensive Income Statement

	3QFY18	3QFY17	Change	9MFY18	9MFY17	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss)/profit before tax is arrived at after charging/ (crediting):						
Interest income	(621)	(899)	(30.9)	(1,711)	(2,150)	(20.4)
Interest expense on borrowings	10,587	12,939	(18.2)	33,799	39,980	(15.5)
Depreciation of plant and equipment	19,770	22,095	(10.5)	60,038	61,954	(3.1)
Amortisation of land use rights	267	267	Nil	802	802	Nil
Amortisation of government grants	(1,348)	(1,679)	(19.7)	(4,035)	(5,038)	(19.9)
Foreign exchange (gain)/loss, net	(92)	-	-	(118)	222	153.2
(Gain)/loss on disposal of plant and equipment, net	(193)	(73)	164.4	(379)	6,430	105.9
Reversal of impairment of property, plant and equipment	-	-	-	-	(67,441)	(100.0)
Reversal of allowance for doubtful trade receivables	-	-	-	-	(5)	(100.0)
Reversal of allowance for slow-moving inventory	-	-	-	(190)	-	-

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

	GROUP		COMPANY	
	30-Sep-2018	31-Dec-2017	30-Sep-2018	31-Dec-2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	170,470	188,437	-	-
Trade receivables	197,911	177,594	-	-
Other receivables, deposits and prepayments	55,840	45,359	35	35
Income tax prepaid	122	684	-	-
Cash and cash equivalents ⁽¹⁾	135,136	190,258	1,880	3,266
	<u>559,479</u>	<u>602,332</u>	<u>1,915</u>	<u>3,301</u>
Non-current assets				
Investment in subsidiaries	-	-	336,954	336,954
Available for sale investment	2,060	2,060	-	-
Property, plant and equipment	596,180	640,389	10	-
Land use rights	42,873	43,675	-	-
	<u>641,113</u>	<u>686,124</u>	<u>336,964</u>	<u>336,954</u>
Total assets	<u>1,200,592</u>	<u>1,288,456</u>	<u>338,879</u>	<u>340,255</u>
LIABILITIES				
Current liabilities				
Trade payables	282,443	247,185	-	-
Other payables and accruals	88,011	93,795	789	995
Amount owing to related parties	2,525	1,650	-	-
Amount owing to subsidiaries	-	-	2,866	836
Interest payable to a Director	255	119	255	119
Amount owing to a Director	12,712	-	12,712	-
Interest-bearing loans and borrowings	160,000	220,000	-	-
Deferred income	5,133	5,355	-	-
	<u>551,079</u>	<u>568,104</u>	<u>16,622</u>	<u>1,950</u>
Non-current liabilities				
Interest-bearing loans and borrowings	501,700	577,150	-	-
Amount owing to a related party	38,180	-	-	-
Amount owing to a Director	-	9,864	-	9,864
Deferred income	33,780	37,401	-	-
Deferred taxation	589	589	-	-
	<u>574,249</u>	<u>625,004</u>	<u>-</u>	<u>9,864</u>
Total liabilities	<u>1,125,328</u>	<u>1,193,108</u>	<u>16,622</u>	<u>11,814</u>
NET ASSETS	<u>75,264</u>	<u>95,348</u>	<u>322,257</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	(324,839)	(304,755)	13,534	19,718
TOTAL EQUITY	75,264	95,348	322,257	328,441

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

	30- Sep-2018	31-Dec-2017
	RMB'000	RMB'000
Cash and bank balances	68,736	92,978
Pledged cash deposits	66,400	97,280
	135,136	190,258

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 30-Sep-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
140,000	32,712	200,000	20,000

Amount repayable after one year

As at 30-Sep-2018		As at 31-Dec-2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
351,700	188,180	397,150	189,864

Details of any collateral

As at 30 September 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.

	3QFY18	3QFY17	9MFY18	9MFY17
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before taxation	(11,862)	(34,474)	(17,324)	1,376
Adjustments for:-				
Depreciation of plant and equipment	19,770	22,095	60,038	61,954
Amortisation of land use rights	267	267	802	802
Amortisation of government grants	(1,348)	(1,679)	(4,035)	(5,038)
(Gain)/loss on disposal of plant and equipment	(193)	(73)	(379)	6,430
Interest expense	10,587	12,939	33,799	39,980
Interest income	(621)	(899)	(1,711)	(2,150)
Reversal of impairment of plant and equipment	-	-	-	(67,441)
Reversal of allowance for slow-moving inventory	-	-	(190)	-
Reversal of allowance for doubtful trade receivables	-	-	-	(5)
Operating profit/(loss) before working capital changes	16,600	(1,824)	71,000	35,908
Changes in working capital:				
Inventories	51,653	36,582	18,157	29,354
Trade receivables	3,319	33,295	(20,317)	316
Other receivables, deposits and prepayments	8,540	12,052	(10,481)	62,012
Amount owing by related parties	-	350	-	875
Trade payables	(9,381)	(8,943)	35,258	(1,233)
Other payables and accruals	(516)	(1,437)	(5,784)	1,261
Amount owing to related parties	350	72	875	72
Cash generated from operations	70,565	70,147	88,708	128,565
Income taxes paid	(920)	-	(2,198)	(1,639)
Net cash generated from operating activities	69,645	70,147	86,510	126,926
Cash flows from investing activities				
Purchase of plant and equipment	(11,682)	(15,175)	(23,096)	(32,693)
Purchase of land use rights	-	(6,642)	-	(6,642)
Proceeds from disposal of plant and equipment	2,437	1,744	7,646	5,970
Proceeds from government grants	-	-	192	6,061
Interest income received	621	899	1,711	2,150
Net cash used in investing activities	(8,624)	(19,174)	(13,547)	(25,154)

Cash flows from financing activities

Payment of Dividend	-	-	-	(5,859)
Interest expense paid	(10,540)	(12,939)	(33,663)	(39,980)
Cash deposits pledged	-	(32,400)	(66,000)	(286,769)
Pledged cash deposit being released	30,000	118,500	96,880	305,489
Proceeds from amount owing to a related party	38,180	-	38,180	-
Proceeds from amount owing to a Director	-	-	2,848	9,864
Repayment of interest-bearing loans and borrowings	(177,500)	(318,000)	(672,500)	(974,000)
Proceeds from interest-bearing loans and borrowings	29,000	183,000	537,050	872,500
Net cash used in financing activities	(90,860)	(61,839)	(97,205)	(118,755)
Net decrease in cash and bank balances	(29,839)	(10,866)	(24,242)	(16,983)
Cash and bank balances at beginning of period	98,575	149,055	92,978	155,172
Cash and bank balances at end of period	68,736	138,189	68,736	138,189

- 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

	← 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 profit for the period	-	-	(34,536)	(34,536)
Balance as at 30 September 2017	308,723	91,380	(270,425)	129,678

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	308,723	19,718	328,441
Total comprehensive loss for the period	-	(2,088)	(2,088)
Balance as at 31 March 2018	308,723	17,630	326,353
Total comprehensive loss for the period	-	(2,163)	(2,163)
Balance as at 30 June 2018	308,723	15,467	324,190
Total comprehensive loss for the period	-	(1,933)	(1,933)
Balance as at 30 September 2018	308,723	13,534	322,257

	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

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 2018. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 30 September 2018 and 30 September 2017.

- 1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	Company	
	30-Sep-2018	31-Dec-2017
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.

There were certain new or amended Singapore Financial Reporting Standards ("SFRS") that have been issued for accounting periods beginning on or after 1 January 2018. The adoption of these SFRS, where applicable, did not have any material impact on the financial statements for the 9-months period ended 30 September 2018. Apart from the new or amended SFRS, the Group has applied consistent accounting policies and methods of computation for current reporting period compared with the audited financial statements for FY2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3QFY18	3QFY17	9MFY18	9MFY17
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss)/profit per share				
(a) Based on weighted average number of ordinary shares in issue; and	(2.1)	(5.8)	(3.4)	0.1
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)	(5.8)	(3.4)	0.1

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-2018	31-Dec-2017	30-Sep-2018	31-Dec-2017
Net asset value per ordinary share	RMB 12.7 cents	RMB 16.1 cents	RMB 54.3 cents	RMB 55.3 cents

30-Sep-2018

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the period of RMB 75,264,000 and the Company's net asset value as at the end of the period of RMB 322,257,000 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**3QFY18 versus 3QFY17**

Revenue

	3QFY18		3QFY17		Change
	RMB'000	%	RMB'000	%	%
Corn refining	598,611	99.7	513,093	100.0	16.7
Others	1,661	0.3	212	-	683.5
Total	600,272	100.0	513,305	100.0	16.9

9MFY18 versus 9MFY17

Revenue

	9MFY18		9MFY17		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,660,218	99.9	1,508,173	99.9	10.1
Others	2,159	0.1	1,275	0.1	69.3
Total	1,662,377	100.0	1,509,448	100.0	10.1

The Group's revenue increased by 16.9% from RMB 513.3 million in 3QFY17 to RMB 600.3 million in 3QFY18, while revenue for the nine-month period ("9MFY18") increased by 10.1% year-on-year ("y-o-y") from RMB 1.5 billion to RMB 1.7 billion. This was mainly due to both increases in sales volume and weighted average selling price of our corn refining segment.

For 3QFY18, sales volume for the corn refining segment increased from 262K ("K"=1,000) tonnes to 293K tonnes or about 12.2% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 8.3% and 23.3% respectively. For 9MFY18, sales volume for the corn refining segment increased from 774K tonnes to 800K tonnes or by about 3.4% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 1.5% and 10.0% respectively.

For 3QFY18, the weighted average selling price of the Group's corn refining products increased by 4.3% y-o-y. The increase was mainly attributable to the increases in average selling prices of corn sweeteners and by-products by 4.9% and 3.7% respectively. The weighted average selling price of the Group's corn refining products for 9MFY18 increased by 6.6% y-o-y. This increase was attributable to the increase in prices of corn sweeteners by about 9.4%, which was partially offset by the decrease in prices of by-products by 3.0%.

The Group's export revenue in 9MFY18 increased by 11.0% as compared to 9MFY17. However, the export revenue as a percentage of total revenue in 9MFY18 is approximately 3.3%, same as that in 9MFY17. 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

3QFY18 versus 3QFY17

	3QFY18		3QFY17	
	RMB'000	%	RMB'000	%
Corn refining	49,098	8.2	36,069	7.0
Others	417	25.1	476	224.6
Total	<u>49,515</u>	8.2	<u>36,545</u>	7.1

9MFY18 versus 9MFY17

	9MFY18		9MFY17	
	RMB'000	%	RMB'000	%
Corn refining	161,725	9.7	143,098	9.5
Others	1,430	66.2	1,332	104.5
Total	<u>163,155</u>	9.8	<u>144,430</u>	9.6

Gross profit for 3QFY18 increased significantly by 35.5% or RMB 13.0 million y-o-y, and the gross profit margin increased by 1.1 percentage points from 7.1% in 3QFY17 to 8.2%. Revenue increased by 16.9% y-o-y, while the cost of sales for the corresponding period increased by 15.5%. This was mainly due to the higher capacity utilization resulting from the increase in sales volume of our corn refining products and the higher average selling price of our corn refining products.

For a similar reason, gross profit for 9MFY18 increased by 13.0% or about RMB 18.7 million y-o-y mainly attributable to the increase in gross profit of our corn refining segment. Group revenue for 9MFY18 increased by 10.1% y-o-y, while the cost of sales for the corresponding period increased by 9.8%. Group gross profit margin increased by 0.2 percentage points y-o-y to 9.8%.

The others segment including our Hongzhou subsidiary made a gross profit of RMB 1.4 million in 9MFY18, compared with RMB 1.3 million in 9MFY17.

Other operating income

Other operating income decreased by 77.9% from RMB 95.3 million in 9MFY17 to RMB 21.1 million in 9MFY18 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 9MFY17, which were partially offset by the increase in gain on sale of consumables and waste materials and the increase in income from penalties imposed on suppliers.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 4.1% from RMB 99.1 million in 9MFY17 to RMB 95.0 million in 9MFY18. This is mainly attributable to the decrease in transportation costs and staff costs.

- Administrative expenses

The Group's administrative expenses decreased by 17.3% from RMB 82.8 million in 9MFY17 to RMB 68.4 million in 9MFY18. This was mainly due to the decrease in staff costs and the decrease in depreciation charge and other manufacturing overheads charged to operating expenses as a result of production halts of certain products. In addition, our plants have experienced interruption which resulted in temporary stoppages of production due to stringent environmental controls.

- Other operating expenses

Other operating expenses decreased by RMB 12.2 million from RMB 16.5 million in 9MFY17 to RMB 4.3 million in 9MFY18. This was due mainly to the losses of about RMB 7.3 million resulting from a fire at our Liaoning subsidiary in 9MFY17 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 employee compensation for work-related injury.

Finance costs

The Group's finance costs decreased by 15.5% or about RMB 6.2 million from RMB 40.0 million in 9MFY17 to RMB 33.8 million in 9MFY18. This was attributable to the decrease in interest costs arising from decrease in bank loans.

Taxation

The increase in income tax expense was due to the increase in net profit generated from our Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, the effective tax rate in 9MFY18 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 2,570.4% or about RMB 20.9 million y-o-y from a profit of RMB 0.8 million in 9MFY17 to a loss of RMB 20.1 million in 9MFY18 due mainly to the decrease of RMB 74.2 million 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

<u>GROUP</u>	<u>9MFY18</u>	<u>FY17</u>
Inventory turnover days	33	36
Trade receivable turnover days	31	32
Trade payable turnover days	48	48
Debt equity ratio	9.47	8.46

(i) Current assets

Current assets decreased by RMB 42.9 million from RMB 602.3 million as at 31 December 2017 to RMB 559.5 million as at 30 September 2018, due mainly to the decrease in inventories of RMB 18.0 million and the decrease in cash and cash equivalents of RMB 55.1 million, which were partially offset by the increase in trade receivables of RMB 20.3 million, and the increase in other receivables, deposits and prepayments of RMB 10.5 million (mainly for prepayments to suppliers for purchasing of raw materials). Trade receivable turnover days decreased slightly from 32 days in FY17 to 31 days in 9MFY18. Inventory turnover days was lower at 33 days in 9MFY18 as compared with 36 days for FY17.

(ii) Non-current assets

The decrease in non-current assets of RMB 45.0 million was mainly due to the depreciation of RMB 60.8 million and the disposal of plant and equipment of RMB 7.3 million, which were partially offset by the capital expenditure of RMB 23.1 million.

(iii) Current liabilities

Current liabilities decreased by RMB 17.0 million from RMB 568.1 million as at 31 December 2017 to RMB 551.1 million as at 30 September 2018, due mainly to the decrease in short-term interest-bearing bank loans of RMB 60.0 million (as at 30 September 2018, the pledged cash deposits decreased by RMB 30.9 million to RMB 66.4 million as compared to 31 December 2017), and the decrease in other payables and accruals of RMB 5.8 million, which were partially offset by the increase in trade payables of RMB 35.3 million and the increase in amount owing to a Director of RMB 12.7 million. Trade payable turnover days in 9MFY18 was unchanged compared with 48 days for FY17.

The Group's debt equity ratio was 9.47 times as at 30 September 2018 compared with 8.46 times as at 31 December 2017, and the net debt equity ratio was 7.67 times as at 30 September 2018 (31 December 2017: 6.47 times). This was due mainly to the decrease of RMB 20.1 million in total equity resulting from the net loss in 9MFY18, and the decrease of RMB 94.4 million in total bank loans and other borrowings.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 50.8 million, due to the decrease in long-term interest-bearing bank loans of RMB 75.5 million, the decrease in amount owing to a Director of RMB 9.9 million, and the decrease in

deferred income of RMB 3.6 million (mainly due to the amortization of government grants), which were partially offset by the increase of RMB 38.2 million in amount owing to a related party.

(v) Shareholders' equity

As at 30 September 2018, shareholders' equity was lower than that as at 31 December 2017 mainly due to the net loss of RMB 20.1 million incurred in 9MFY18.

c) Cash Flows

For 9MFY18, the Group experienced net operating cash inflow of RMB 86.5 million. This comprised operating profit before changes in working capital of RMB 71.0 million adjusted for decrease in working capital of RMB 17.7 million and income taxes paid of RMB 2.2 million.

The decrease in working capital was mainly the result of:

- i) a decrease in inventory of RMB 18.2 million;
- ii) an increase in trade payables of RMB 35.3 million; and
- iii) an increase in amount owing to related parties of RMB 0.9 million,

which were offset by

- iv) an increase in trade receivables of RMB 20.3 million;
- v) an increase in other receivables, deposits and prepayments of RMB 10.5 million; and
- vi) a decrease in other payables and accruals of RMB 5.8 million.

Net cash used in investing activities amounted to RMB 13.5 million in 9MFY18. This was mainly due to the expenditures for construction and maintenance of property, plant and equipment 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 7.6 million, and the interest income of RMB 1.7 million.

Net cash outflow used in financing activities was RMB 97.2 million, mainly due to the net decrease in total bank loans of RMB 135.5 million and payment of interest expense of RMB 33.7 million. These cash outflows were partially offset by the decrease in pledged cash deposits of RMB 30.9 million and the increase in interest-free loans from a Director and a related party of RMB 2.8 million and RMB 38.2 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 3QFY18 are consistent with the commentary under section 10 of the announcement dated 13 August 2018 on the unaudited financial statements for the second quarter and half year ended 30 June 2018.

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

China's economic growth is decelerating in the third quarter at 6.5% mainly due to economy restructuring and the slowing down of domestic capital investment. The impact of the trade war with the United States is expected to weigh on its exports growth in the coming months. In view of the headwinds, the Chinese government is taking steps to stimulate and support its economy, in particular by injecting more liquidity for the local businesses.

Operationally, the Group is hopeful of the Chinese government's monetary policy and being able to benefit from the spillover of liquidity in terms of easing its cash flow and lowering its borrowing costs. In addition, the Group expects its average raw corn material prices to increase marginally till the end of the year. On the other hand, although there is a downward pressure on its average selling prices of all the products due to the lowering of cane sugar prices recently, barring unforeseen circumstances, the Group does not expect a significant impact on the gross profit margins of its corn sweeteners.

In addition, the Group is in the process of streamlining its management operations for better control and to improve on its operational efficiency.

The Group remains cautious of its business outlook due to the slowing down of the Chinese economy and the uncertainty of the ongoing trade war between China and the United States.

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.

No dividend has been declared for the third quarter ended 30 September 2018.

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

	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
	30/09/2018	30/09/2017
	RMB'000	RMB'000
Rental expenses to Shaanxi Luzhou	1,575	1,575
Interest payable for loan granted by Niu Ji Xing	136	72

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 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 2018 to be false or misleading in any material aspect.

For and on behalf of the Board

Mr Niu Ji Xing
Executive Chairman

Mr Wang De You
Executive Director

15 Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
13 November 2018