



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Third Quarter and
Nine Months Results
Announcement for the Period
Ended 30 September 2017**



**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 2017**

**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.**

	3QFY17	3QFY16	Change	9MFY17	9MFY16	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	513,305	509,586	0.7	1,509,448	1,384,315	9.0
Cost of sales	(476,760)	(460,274)	3.6	(1,365,018)	(1,238,451)	10.2
Gross profit	36,545	49,312	(25.9)	144,430	145,864	(1.0)
Other operating income	15,148	14,136	7.2	89,008	26,327	238.1
Selling and distribution expenses	(32,067)	(26,737)	19.9	(99,055)	(76,218)	30.0
Administrative expenses	(33,521)	(24,502)	36.8	(82,761)	(79,589)	4.0
Other operating expenses	(7,640)	(1,984)	285.1	(10,266)	(4,944)	107.6
Finance expenses	(12,939)	(12,815)	1.0	(39,980)	(38,456)	4.0
(Loss) / profit before taxation	(34,474)	(2,590)	(1,231.0)	1,376	(27,016)	105.1
Taxation	(62)	(1,088)	(94.3)	(563)	(3,851)	(85.4)
(Loss) / profit for the period and total comprehensive (loss)/income	(34,536)	(3,678)	(839.0)	813	(30,867)	102.6
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(34,536)	(3,678)	(839.0)	813	(30,867)	102.6
Gross profit margin	7.1%	9.7%	(26.8)	9.6%	10.5%	(8.6)
Net (loss)/profit margin	(6.7%)	(0.7%)	(857.1)	0.1%	(2.2%)	104.5
(Loss)/profit per share (RMB cents)						
- basic	(5.8)	(0.6)	(866.7)	0.1	(5.2)	101.9
- diluted	(5.8)	(0.6)	(866.7)	0.1	(5.2)	101.9

Notes to the Comprehensive Income Statement

	3QFY17 RMB'000	3QFY16 RMB'000	Change %	9MFY17 RMB'000	9MFY16 RMB'000	Change %
(Loss)/profit before tax is arrived at after charging/ (crediting):						
Interest income	(899)	(1,243)	(27.7)	(2,150)	(2,078)	3.5
Interest expense on borrowings	12,939	12,815	1.0	39,980	38,456	4.0
Depreciation of plant and equipment	22,095	18,611	18.7	61,954	57,771	7.2
Amortisation of land use rights	267	267	-	802	801	0.1
Amortisation of government grants	(1,679)	(1,598)	5.1	(5,038)	(4,722)	6.7
Foreign exchange loss, net	-	5	(100.0)	222	3	7,300.0
(Gain)/loss on disposal of plant and equipment, net	(73)	(1,006)	(92.7)	177	(287)	(161.7)
Reversal of impairment of property, plant and equipment	-	-	-	(67,441)	-	-
Reversal of allowance for doubtful trade receivables	-	-	-	(5)	-	-

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-2017	31-Dec-2016	30-Sep-2017	31-Dec-2016
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	146,200	175,554	-	-
Trade receivables	184,342	184,653	-	-
Other receivables, deposits and prepayments	55,187	117,199	10,786	10,786
Amount owing by related parties	75	950	-	-
Income tax prepaid	815	-	-	-
Cash and cash equivalents ⁽¹⁾	265,469	301,172	4,367	5,376
	<u>652,088</u>	<u>779,528</u>	<u>15,153</u>	<u>16,162</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Available for sale investment	2,060	2,060	-	-
Property, plant and equipment	682,654	656,874	-	-
Land use rights	50,584	44,744	-	-
	<u>735,298</u>	<u>703,678</u>	<u>372,654</u>	<u>372,654</u>
Total assets	<u>1,387,386</u>	<u>1,483,206</u>	<u>387,807</u>	<u>388,816</u>
LIABILITIES				
Current liabilities				
Trade payables	232,721	233,954	-	-
Other payables and accruals	99,976	98,715	800	979
Amount owing to related parties	1,622	1,550	11,255	9,973
Interest-bearing loans and borrowings	298,500	330,000	-	-
Deferred income	5,696	6,201	-	-
Income tax payable	-	261	-	-
	<u>638,515</u>	<u>670,681</u>	<u>12,055</u>	<u>10,952</u>
Non-current liabilities				
Interest-bearing loans and borrowings	570,000	640,000	-	-
Interest-bearing loan from a Director	9,864	-	9,864	-
Deferred income	38,740	37,212	-	-
Deferred taxation	589	589	-	-
	<u>619,193</u>	<u>677,801</u>	<u>9,864</u>	<u>-</u>
Total liabilities	<u>1,257,708</u>	<u>1,348,482</u>	<u>21,919</u>	<u>10,952</u>
NET ASSETS	<u>129,678</u>	<u>134,724</u>	<u>365,888</u>	<u>377,864</u>
EQUITY				
Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profit	(270,425)	(265,379)	57,165	69,141
TOTAL EQUITY	<u>129,678</u>	<u>134,724</u>	<u>365,888</u>	<u>377,864</u>

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

	30- Sep-2017	31-Dec-2016
	RMB'000	RMB'000
Cash and bank balances	138,189	155,172
Pledged cash deposits	127,280	146,000
	265,469	301,172

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-2017		As at 31-Dec-2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
258,500	40,000	290,000	40,000

Amount repayable after one year

As at 30-Sep-2017		As at 31-Dec-2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
380,000	199,864	379,000	261,000

Details of any collateral

As at 30 September 2017, 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 guarantee 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.

	3QFY17	3QFY16	9MFY17	9MFY16
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before taxation	(34,474)	(2,590)	1,376	(27,016)
Adjustments for:-				
Depreciation of plant and equipment	22,095	18,611	61,954	57,771
Amortisation of land use rights	267	267	802	801
Amortisation of government grants	(1,679)	(1,598)	(5,038)	(4,722)
(Gain)/loss on disposal of plant and equipment	(73)	(1,006)	177	(287)
Interest expense	12,939	12,815	39,980	38,456
Interest income	(899)	(1,243)	(2,150)	(2,078)
Reversal of impairment of plant and equipment	-	-	(67,441)	-
Reversal of allowance for doubtful trade receivables	-	-	(5)	-
Operating (loss)/profit before working capital changes	(1,824)	25,256	29,655	62,925
Changes in working capital:				
Inventories	36,582	42,634	29,354	57,916
Trade receivables	33,295	(17,023)	316	(6,082)
Other receivables, deposits and prepayments	12,052	45,464	62,012	(16,014)
Amount owing by related parties	350	-	875	-
Trade payables	(8,943)	(39,257)	(1,233)	(6,856)
Other payables and accruals	(1,437)	18,417	1,261	29,063
Amount owing to related parties	72	350	72	350
Cash generated from operations	70,147	75,841	122,312	121,302
Income taxes paid	-	(1,132)	(1,639)	(6,389)
Net cash generated from operating activities	70,147	74,709	120,673	114,913
Cash flows from investing activities				
Purchase of plant and equipment	(15,175)	(81,629)	(32,693)	(131,722)
Purchase of land use rights	(6,642)	-	(6,642)	-
Proceeds from disposal of plant and equipment	1,744	11,115	12,223	19,387
Proceeds from government grants	-	3,450	6,061	3,450
Interest income received	899	1,243	2,150	2,078
Net cash used in investing activities	(19,174)	(65,821)	(18,901)	(106,807)

Cash flows from financing activities

Payment of Dividend	-	-	(5,859)	(5,659)
Interest expense paid	(12,939)	(12,815)	(39,980)	(38,456)
Cash deposits pledged	(32,400)	(110,000)	(286,769)	(320,000)
Pledged cash deposit being released	118,500	134,000	305,489	219,000
Proceeds from interest-bearing loans from a Director	-	-	9,864	-
Repayment of interest-bearing loans and borrowings	(318,000)	(319,000)	(974,000)	(902,400)
Proceeds from interest-bearing loans and borrowings	183,000	375,000	872,500	1,126,000
Net cash (used in) / generated from financing activities	(61,839)	67,185	(118,755)	78,485
Net (decrease) / increase in cash and bank balances	(10,866)	76,073	(16,983)	86,591
Cash and bank balances at beginning of period	149,055	92,437	155,172	81,919
Cash and bank balances at end of period	138,189	168,510	138,189	168,510

- 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 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

	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 2016	308,723	90,893	(273,112)	126,504
Total comprehensive loss for the period	-	-	(14,269)	(14,269)
Balance as at 31 March 2016	308,723	90,893	(287,381)	112,235
Total comprehensive loss for the period	-	-	(12,920)	(12,920)
Payment of Dividend	-	-	(5,659)	(5,659)
Balance as at 30 June 2016	308,723	90,893	(305,960)	93,656
Total comprehensive loss for the period	-	-	(3,678)	(3,678)
Balance as at 30 September 2016	308,723	90,893	(309,638)	89,978

COMPANY

	Accumulated		
	Share Capital	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

	Accumulated		
	Share Capital	Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2016	308,723	82,022	390,745
Total comprehensive loss for the period	-	(2,059)	(2,059)
Balance as at 31 March 2016	308,723	79,963	388,686
Total comprehensive loss for the period	-	(2,136)	(2,136)
Payment of Dividend	-	(5,659)	(5,659)
Balance as at 30 June 2016	308,723	72,168	380,891
Total comprehensive loss for the period	-	(1,968)	(1,968)
Balance as at 30 September 2016	308,723	70,200	378,923

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 2017. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 30 September 2017 and 30 September 2016.

- 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-2017	31-Dec-2016
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 2017. 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 2017. 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 FY2016.

- 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.**

	3QFY17	3QFY16	9MFY17	9MFY16
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss)/profit per share				
(a) Based on weighted average number of ordinary shares in issue; and	(5.8)	(0.6)	0.1	(5.2)
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	(5.8)	(0.6)	0.1	(5.2)

- 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-2017	31-Dec-2016	30-Sep-2017	31-Dec-2016
Net asset value per ordinary share	RMB 21.8 cents	RMB 22.7 cents	RMB 61.6 cents	RMB 63.6 cents

30-Sep-2017

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 129,678,000 and the Company's net asset value as at the end of the period of RMB 365,888,000 divided by the share capital of 594,000,000 ordinary shares.

31-Dec-2016

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 134,724,000 and the Company's net asset value as at the end of the year of RMB 377,864,000 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**3QFY17 versus 3QFY16**

Revenue

	3QFY17		3QFY16		Change
	RMB'000	%	RMB'000	%	%
Corn refining	513,093	100.0	509,312	99.9	0.7
Animal feeds	-	-	-	-	-
Others	212	-	274	0.1	(22.6)
Total	<u>513,305</u>	<u>100.0</u>	<u>509,586</u>	<u>100.0</u>	<u>0.7</u>

9MFY17 versus 9MFY16

Revenue

	9MFY17		9MFY16		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,508,173	99.9	1,370,563	99.0	10.0
Animal feeds	-	-	9,603	0.7	(100.0)
Others	1,275	0.1	4,149	0.3	(69.3)
Total	<u>1,509,448</u>	<u>100.0</u>	<u>1,384,315</u>	<u>100.0</u>	<u>9.0</u>

The Group's revenue increased slightly by 0.7% from RMB 509.6 million in 3QFY16 to RMB 513.3 million in 3QFY17, while revenue for the nine-month period ("9MFY17") increased by 9.0% year-on-year ("y-o-y") from RMB 1.4 billion to RMB 1.5 billion. This was mainly due to the increase in sales volume of our corn refining segment, which was partially offset by the decrease in the average selling price resulting from the stiff competition in the corn sweetener industry.

For 3QFY17, sales volume for the corn refining segment increased from 253K ("K"=1,000) tonnes to 262K tonnes or 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 3.2% and 4.3% respectively. For 9MFY17, sales volume for the corn

refining segment increased from 672K tonnes to 774K tonnes or by about 15.1% y-o-y. This increase was attributable to the increases in the sales volumes of corn sweeteners and by-products of about 12.3% and 22.0% respectively.

For 3QFY17, the weighted average selling price of the Group's corn refining products decreased by 0.9% y-o-y. This decrease was mainly attributable to the decrease in prices of by-products of about 7.6%. The weighted average selling price of the Group's corn refining products for 9MFY17 decreased by 2.1% y-o-y. This decrease was attributable to the decrease in prices of corn sweeteners by about 3.1%, which was partially offset by the increase in prices of by-products by 2.0%.

The Group's export revenue in 9MFY17 increased by 7.2% as compared to 9MFY16. However, the export revenue as a percentage of total revenue decreased from 3.4% in 9MFY16 to 3.3% in 9MFY17. The increase in export revenue in 9MFY17 was because our corn sweetener products became more competitive for the export market in view of lower production costs, resulting from the lower average corn raw material prices.

Gross profit and gross profit margin

3QFY17 versus 3QFY16

	3QFY17		3QFY16	
	RMB'000	%	RMB'000	%
Corn refining	36,069	7.0	48,877	9.6
Animal feeds	-	-	-	-
Others	476	224.6	435	158.6
Total	<u>36,545</u>	7.1	<u>49,312</u>	9.7

9MFY17 versus 9MFY16

	9MFY17		9MFY16	
	RMB'000	%	RMB'000	%
Corn refining	143,098	9.5	146,329	10.7
Animal feeds	-	-	(1,238)	(12.9)
Others	1,332	104.5	773	18.6
Total	<u>144,430</u>	9.6	<u>145,864</u>	10.5

Gross profit for 3QFY17 decreased by 25.9% or RMB 12.8 million y-o-y, and the gross profit margin decreased from 9.7% in 3QFY16 to 7.1%. Revenue increased by 0.7% y-o-y, while the cost of sales for the corresponding period increased by 3.6%. This was mainly due to the decrease in selling prices of our corn refining products and the substantial increase in the cost of coal used by the coal-based electricity and steam power generation plants. The corn raw material prices decreased by 1.7% compared to 3QFY16.

For a similar reason, gross profit for 9MFY17 decreased by 1.0% or about RMB 1.4 million y-o-y mainly attributable to the decrease in gross profit of our corn refining segment by 2.2% or about RMB 3.2 million.

Group revenue for 9MFY17 increased by 9.0% y-o-y, while the cost of sales for the corresponding period increased by 10.2%. Group gross profit margin decreased by 0.9 percentage points y-o-y to 9.6%.

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

The others segment including our Hongzhou subsidiary made a gross profit of RMB 1.3 million in 9MFY17, compared with RMB 0.8 million in 9MFY16.

Other operating income

Other operating income increased by 238.1% from RMB 26.3 million in 9MFY16 to RMB 89.0 million in 9MFY17 due mainly to the reversal of impairment of property, plant and equipment of our Shandong subsidiary in May 2017 and the increase in insurance claim compensation for the losses incurred from a fire at our Liaoning subsidiary, which was partially offset by the decrease in gain on sale of consumables and waste materials and decrease in government grant and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses increased by 30.0% from RMB 76.2 million in 9MFY16 to RMB 99.1 million in 9MFY17. This is mainly attributable to the increase in transportation costs.

- Administrative expenses

The Group's administrative expenses increased by 4.0% from RMB 79.6 million in 9MFY16 to RMB 82.8 million in 9MFY17. This was mainly due to the increase in staff costs (including salary, social insurance payment and other welfare), partially offset by the decrease in depreciation charge and other manufacturing overheads charged to operating expenses as a result of production halts of certain products.

- Other operating expenses

Other operating expenses increased by RMB 5.3 million from RMB 4.9 million in 9MFY16 to RMB 10.3 million in 9MFY17. This was mainly due to the losses resulting from a fire at our Liaoning subsidiary, which was partially offset by the decrease in sales cost of raw materials.

Finance costs

The Group's finance costs increased by 4.0% or about RMB 1.5 million from RMB 38.5 million in 9MFY16 to RMB 40.0 million in 9MFY17. This was attributable to the increase in interest costs.

Taxation

The decrease in income tax expense was due to the decrease 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 9MFY17 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income increased by 102.6% or about RMB 31.7 million y-o-y from a loss of RMB 30.9 million in 9MFY16 to a profit of RMB 0.8 million in 9MFY17 due mainly to the increase of RMB 62.7 million in other operating income, and the increases in selling and distribution expenses, administrative expenses and other operating expenses.

b) Statement of Financial Position

<u>GROUP</u>	<u>9MFY17</u>	<u>FY16</u>
Inventory turnover days	32	40
Trade receivable turnover days	33	35
Trade payable turnover days	47	47
Debt equity ratio	6.77	7.20

(i) Current assets

Current assets decreased by RMB 127.4 million from RMB 779.5 million as at 31 December 2016 to RMB 652.1 million as at 30 September 2017, due mainly to the decrease in inventories of RMB 29.4 million, the decrease in other receivables, deposits and prepayments (including the amount owing by related parties) of RMB 62.9 million (due mainly to the full collection of the compensation for relocation of our Shandong subsidiary owed by the local government), and the decrease in cash and cash equivalents of RMB 35.7 million. Trade receivable turnover days decreased slightly from 35 days in FY16 to 33 days in 9MFY17. Inventory turnover days was lower at 32 days in 9MFY17 as compared with 40 days for FY16.

(ii) Non-current assets

The increase in non-current assets of RMB 31.6 million was mainly due to the reversal of impairment of property, plant and equipment of RMB 67.4 million and the capital expenditure of RMB 39.3 million, which were partially offset by the depreciation of RMB 62.8 million and the disposal of plant and equipment of RMB 12.4 million.

(iii) Current liabilities

Current liabilities decreased by RMB 32.2 million from RMB 670.7 million as at 31 December 2016 to RMB 638.5 million as at 30 September 2017, due mainly to the decrease in short-term interest-bearing loans and borrowings of RMB 31.5 million (as at 30 September 2017, the pledged cash deposits decreased by RMB 18.7 million to RMB 127.3 million as compared to 31 December 2016), and the decrease in trade payables of RMB 1.2 million, partially offset by the increase in other payables and accruals of RMB 1.3 million. Trade payable turnover days stood at 47 days, unchanged compared with that for FY16.

The Group's debt equity ratio was 6.77 times as at 30 September 2017 compared with 7.20 times as at 31 December 2016, and the net debt equity ratio was 4.73 times as at 30 September 2017 (31 December 2016: 4.96 times). This was mainly due to the decrease of RMB 91.6 million in total interest-bearing loans and borrowings, and the decrease of RMB 5.0 million in total equity.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 58.6 million due to the decrease of RMB 60.1 million in long-term interest-bearing loans, partially offset by the increase of RMB 1.5 million in deferred income (mainly due to increase in government grants and subsidies relating to low-energy environmental protection equipment and the amortization of government grants).

(v) Shareholders' equity

As at 30 September 2017, shareholders' equity was lower than that as at 31 December 2016 mainly due to the payment of dividend in May 2017.

c) Cash Flows

For 9MFY17, the Group experienced net operating cash inflow of RMB 120.7 million. This comprised operating profit before changes in working capital of RMB 29.7 million adjusted for decrease in working capital of RMB 92.7 million and income taxes paid of RMB 1.6 million.

The decrease in working capital was mainly the result of:

- i) a decrease in inventory of RMB 29.4 million;
- ii) a decrease in trade receivables of RMB 0.3 million;
- iii) a decrease in other receivables, deposits and prepayments of RMB 62.0 million;
- iv) a decrease in amount owing by related parties of RMB 0.9 million; and
- v) an increase in other payables and accruals of RMB 1.3 million,

which were offset by

- vi) a decrease in trade payables of RMB 1.2 million.

Net cash used in investing activities amounted to RMB 18.9 million in 9MFY17. This was mainly due to the construction of property, plant and equipment in our Shandong subsidiary, the upgrading and reconstruction of corn evaporator in our Henan subsidiary and Shaanxi subsidiary, the purchase of land use rights in our Xinjiang branch 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 12.2 million, proceeds from government grants for low-energy environmental protection equipment of RMB 6.1 million, and the interest income of RMB 2.2 million.

Net cash outflow used in financing activities was RMB 118.8 million, mainly due to the net decrease in total bank loans of RMB 101.5 million and payment of interest expense and dividend of RMB 40.0 million and RMB 5.9 million respectively. These cash outflows were partially offset by the decrease in pledged cash deposits of RMB 18.7 million and the increase in interest-bearing loans from a Director of RMB 9.9 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 3QFY17 are consistent with the commentary under section 10 of the announcement dated 14 August 2017 on the unaudited financial statements for the second quarter and half year ended 30 June 2017.

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.

Business climate

The corn sweetener business in China remains challenging as the entire industry has been facing tough environmental control regulations by the central government leading to higher operating costs. Higher electricity cost continues to be a major concern for the Group as it constantly upgrades its power generation plants in order to meet the standards on air pollution and waste control. For the same reason, the Group has stopped the production and sale of its animal feed; and it is also facing a growing concern over the demand for its by-products by the animal feed industry due to tighter environmental control regulations. In addition, there is still over-capacity within the corn sweetener industry and hence downward pressure on the average selling prices of all corn sweetener products.

On the operational level, the expected slight increase in raw corn material prices for the coming months and the increase in staff cost will further erode the profit margins of the Group. Furthermore, the uncertainty of the changes in government policy, especially in the area of environmental control, will also increase the Group's operating costs. Thus, the Group maintains a cautious outlook for its financial performance for the year 2017.

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 2017.

13 Summary of Interested Person Transactions for the financial period ended 30 September 2017.

	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
	30/09/2017	30/09/2016
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	-	1,550
Rental expenses to Shaanxi Luzhou	1,575	1,575
Interest payable for loan granted by Niu Ji Xing	72	-

Shandong Luzhou – Shandong Luzhou Food Group., Ltd.

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 2017 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
14 November 2017