



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Second Quarter and
Half Year Results
Announcement for the Period
Ended 30 June 2014**



UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014

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.

	2Q2014 RMB'000	2Q2013 RMB'000	Change %	HY2014 RMB'000	HY2013 RMB'000	Change %
Revenue	565,382	842,340	(32.9)	1,170,437	1,639,707	(28.6)
Cost of sales	(534,435)	(788,971)	(32.3)	(1,116,902)	(1,529,260)	(27.0)
Gross profit	30,947	53,369	(42.0)	53,535	110,447	(51.5)
Other operating income	6,108	8,257	(26.0)	18,032	18,415	(2.1)
Selling and distribution expenses	(30,657)	(42,556)	(28.0)	(59,497)	(75,682)	(21.4)
Administrative expenses	(32,311)	(31,572)	2.3	(66,174)	(62,351)	6.1
Other operating expenses	(140,202)	(8,231)	1,603.3	(140,860)	(11,418)	1,133.7
Finance expenses	(14,596)	(13,436)	8.6	(28,532)	(25,781)	10.7
Loss before taxation	(180,711)	(34,169)	(428.9)	(223,496)	(46,370)	(382.0)
Taxation	-	(1,147)	(100.0)	-	(4,149)	(100.0)
Total comprehensive loss	(180,711)	(35,316)	(411.7)	(223,496)	(50,519)	(342.4)
Loss for the period and total comprehensive loss attributable to:						
Equity holders of the Company	(180,711)	(35,316)	(411.7)	(223,496)	(50,519)	(342.4)
Gross profit margin	5.5%	6.3%	(12.7)	4.6%	6.7%	(31.3)
Net profit margin	(32.0%)	(4.2%)	(661.9)	(19.1%)	(3.1%)	(516.1)
Earnings per share (RMB cents)						
- basic	(45.6)	(9.0)	(406.7)	(56.4)	(12.8)	(340.6)
- diluted	(45.6)	(9.0)	(406.7)	(56.4)	(12.8)	(340.6)

Notes to the Comprehensive Income Statement

	2Q2014 RMB'000	2Q2013 RMB'000	Change %	HY2014 RMB'000	HY2013 RMB'000	Change %
Profit before tax is arrived at after charging/ (crediting)						
Interest income	(110)	(105)	4.8	(202)	(196)	3.1
Interest expense on borrowings	14,596	13,436	8.6	28,532	25,781	10.7
Depreciation of property, plant and equipment	22,771	26,139	(12.9)	49,052	52,015	(5.7)
Amortisation of land use rights	385	306	25.8	770	612	25.8
Amortisation of government grants	(1,841)	(1,841)	-	(3,681)	(3,682)	-
Foreign exchange loss/(gain), net	(63)	588	(110.7)	109	1,171	(90.7)
Gain on disposal of plant and equipment	(194)	(419)	(53.7)	171	(185)	(192.4)
Impairment of property, plant and equipment	138,910	-	-	138,910	-	-
Allowance for doubtful trade receivables	(134)	-	-	(134)	-	-
Allowance for slow-moving inventories	(465)	5,983	(107.8)	(1,477)	5,983	(124.7)

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

	GROUP		COMPANY	
	30-Jun-2014	31-Dec-2013	30-Jun-2014	31-Dec-2013
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS:-				
Current assets				
Inventories	189,868	273,170	-	-
Trade receivables	204,635	191,700	-	-
Other receivables, deposits and prepayments	85,301	84,333	10,804	807
Amount owing by a related party	1,550	-	-	-
Cash and cash equivalents ⁽¹⁾	126,202	66,695	8,563	3,867
	<u>607,556</u>	<u>615,898</u>	<u>19,367</u>	<u>4,674</u>
Non-current assets				
Investment in subsidiaries	-	-	372,654	372,654
Property, plant and equipment	727,356	907,214	31	68
Land use rights	47,486	48,256	-	-
	<u>774,842</u>	<u>955,470</u>	<u>372,685</u>	<u>372,722</u>
Total assets	<u>1,382,398</u>	<u>1,571,368</u>	<u>392,052</u>	<u>377,396</u>
LIABILITIES				
Current liabilities				
Trade payables	188,932	215,067	-	-
Other payables and accruals	100,027	109,021	755	754
Amount owing to related parties	617	2,520	5,490	4,374
Interest-free loan from a Director	9,841	11,302	9,841	11,302
Interest-bearing loans and borrowings	295,000	207,000	-	-
Deferred income	6,586	7,364	-	-
Income tax payable	(877)	474	-	-
	<u>600,126</u>	<u>552,748</u>	<u>16,086</u>	<u>16,430</u>
Non-current liabilities				
Interest-bearing loans and borrowings	552,400	562,350	-	-
Deferred income	40,776	43,679	-	-
Deferred taxation	589	589	-	-
	<u>593,765</u>	<u>606,618</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,193,891</u>	<u>1,159,366</u>	<u>16,086</u>	<u>16,430</u>
NET ASSETS	<u>188,507</u>	<u>412,002</u>	<u>375,966</u>	<u>360,966</u>
EQUITY				
Share capital	282,820	282,820	282,820	282,820
Statutory reserves	90,893	90,893	-	-
Accumulated (loss)/profits	(185,206)	38,289	93,146	78,146
TOTAL EQUITY	<u>188,507</u>	<u>412,002</u>	<u>375,966</u>	<u>360,966</u>

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

	30- Jun-2014	31-Dec-2013
	RMB'000	RMB'000
Cash and bank balances	112,202	66,245
Pledged cash deposits	14,000	450
	126,202	66,695

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30-Jun-2014		As at 31-Dec-2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
75,000	229,841	62,000	156,302

Amount repayable after one year

As at 30-Jun-2014		As at 31-Dec-2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
219,000	333,400	314,350	248,000

Details of any collateral

As at 30 June 2014, 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; and
- (v) corporate guarantee given by third parties.

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

	2Q2014	2Q2013	HY2014	HY2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Loss before taxation	(180,711)	(34,169)	(223,496)	(46,370)
Adjustments for:-				
Depreciation of plant and equipment	22,771	26,139	49,052	52,015
Amortisation of land use rights	385	306	770	612
Amortisation of government grants	(1,841)	(1,841)	(3,681)	(3,682)
Gain on disposal of plant and equipment	(194)	(419)	171	(185)
Interest expense	14,596	13,436	28,532	25,781
Interest income	(110)	(105)	(202)	(196)
Impairment of plant and equipment	138,910	-	138,910	-
Allowance for slow-moving inventories	(465)	5,983	(1,477)	5,983
Allowance for doubtful trade receivables	(134)	-	(134)	-
Operating (loss) / profit before working capital changes	(6,793)	9,330	(11,555)	33,958
Changes in working capital:				
Inventories	49,424	65,768	84,779	8,778
Trade receivables	8,777	(21,964)	(12,801)	(23,008)
Other receivables, deposits and prepayments	13,628	(35,118)	(968)	(33,905)
Amount owing by related parties	775	(7,826)	(1,550)	(8,426)
Trade payables	(28,849)	(2,820)	(26,135)	16,485
Other payables and accruals	(4,725)	13,587	(8,994)	5,913
Amount owing to related parties	55	(32,163)	(1,903)	(35,097)
Cash generated from / (used in) operations	32,292	(11,206)	20,873	(35,302)
Income taxes paid	-	(1,580)	(1,351)	(2,823)
Net cash generated from / (used in) operating activities	32,292	(12,786)	19,522	(38,125)
Cash flows from investing activities				
Purchase of plant and equipment	(9,627)	(18,857)	(14,806)	(34,086)
Proceeds from government grants	-	-	-	10,000
Proceeds from disposal of plant and equipment	1,769	4,202	6,531	10,168
Interest received	110	105	202	196
Cash deposits pledged	(14,000)	(3,000)	(14,000)	(3,000)
Pledged cash deposit being released	450	-	450	-
Net cash used in investing activities	(21,298)	(17,550)	(21,623)	(16,722)

Cash flows from financing activities

Acquisition of non-controlling interest in a subsidiary

Refund of Unclaimed Dividend

Interest paid

Amount owing to related parties

Proceeds from interest-free loan from a Director

Repayment of interest-free loan from a Director

Repayment of interest-bearing loans and borrowings

Proceeds from interest-bearing loans and borrowings

Net cash (used in)/generated from financing activities**Net (decrease)/increase in cash and bank balances****Cash and bank balances at beginning of period****Cash and bank balances at end of period**

-	-	-	(6,000)
1	(9,743)	1	(9,743)
(14,596)	(13,436)	(28,532)	(25,781)
-	(2,520)	-	(2,520)
-	9,841	-	9,841
(1,461)	-	(1,461)	-
(343,000)	(288,000)	(569,350)	(468,350)
297,400	298,000	647,400	548,350
(61,656)	(5,858)	48,058	45,797
(50,662)	(36,194)	45,957	(9,050)
162,864	146,664	66,245	119,520
112,202	110,470	112,202	110,470

- 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 Profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2014	282,820	90,893	38,289	412,002
Total comprehensive loss for the period	-	-	(42,785)	(42,785)
Balance as at 31 March 2014	282,820	90,893	(4,496)	369,217
Total comprehensive loss for the period	-	-	(180,711)	(180,711)
Refund of unclaimed dividend	-	-	1	1
Balance as at 30 June 2014	282,820	90,893	(185,206)	(188,507)

	←	Attributable to owners of the company		→
	Share Capital	Statutory Reserves [#]	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2013	282,820	87,930	164,752	535,502
Total comprehensive loss for the period	-	-	(15,203)	(15,203)
Balance as at 31 March 2013	282,820	87,930	149,549	520,299
Payment of Dividend	-	-	(9,743)	(9,743)
Total comprehensive loss for the period	-	-	(35,316)	(35,316)
Balance as at 30 June 2013	282,820	87,930	104,490	475,240

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2014	282,820	78,146	360,966
Total comprehensive income for the period	-	17,805	17,805
Balance as at 31 March 2014	282,820	95,951	378,771
Total comprehensive loss for the period	-	(2,806)	(2,806)
Refund of unclaimed dividend	-	1	1
Balance as at 30 June 2014	282,820	93,146	375,966

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2013	282,820	83,306	366,126
Total comprehensive loss for the period	-	(2,061)	(2,061)
Balance as at 31 March 2013	282,820	81,245	364,065
Payment of Dividend	-	(9,743)	(9,743)
Total comprehensive loss for the period	-	14,892	14,892
Balance as at 30 June 2013	282,820	86,394	369,214

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares 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.**

There were no changes in the Company's share capital since 31 March 2014. In addition, there were no outstanding convertibles or treasury shares as at 30 June 2014 and 30 June 2013.

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

	Company	
	30-Jun-2014	31-Dec-2013
Ordinary shares	396,000,000	396,000,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

None

- 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 2014. The adoption of these SFRS, where applicable, did not have any material impact on the financial statements for the 6-month period ended 30 June 2014. 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 FY2013.

- 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

	2Q2014	2Q2013	HY2014	HY2013
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
Earnings per share				
(a) Based on weighted average number of ordinary shares in issue; and	(45.6)	(9.0)	(56.4)	(12.8)
Weighted average number of shares in issue	396,000,000	396,000,000	396,000,000	396,000,000
(b) On a fully diluted basis	(45.6)	(9.0)	(56.4)	(12.8)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Jun-2014	31-Dec-2013	30-Jun-2014	31-Dec-2013
Net asset value per ordinary share	RMB 47.6 cents	RMB 104.0 cents	RMB 94.9 cents	RMB 91.2 cents

30-Jun-2014

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 188,507,000 and the Company's net asset value as at the end of the period of RMB 375,966,000 divided by the share capital of 396,000,000 ordinary shares.

31-Dec-2013

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 412,002,000 and the Company's net asset value as at the end of the year of RMB 360,966,000 divided by the share capital of 396,000,000 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

2QFY14 versus 2QFY13

Revenue	2QFY14		2QFY13		Change
	RMB'000	%	RMB'000	%	%
Corn refining	493,077	87.2	725,310	86.1	(32.0)
Animal feeds	67,866	12.0	113,284	13.5	(40.1)
Others	4,439	0.8	3,746	0.4	18.5
Total	565,382	100.0	842,340	100.0	(32.9)

1HFY14 versus 1HFY13

Revenue	1HFY14		1HFY13		Change
	RMB'000	%	RMB'000	%	%
Corn refining	1,016,556	86.9	1,412,708	86.2	(28.0)
Animal feeds	147,269	12.6	213,838	13.0	(31.1)
Others	6,612	0.5	13,161	0.8	(49.8)
Total	1,170,437	100.0	1,639,707	100.0	(28.6)

The Group's revenue for 2QFY14 decreased by 32.9% from RMB 842.3 million in 2QFY13 to RMB 565.4 million in 2QFY14 while revenue for the six-month period ("1HFY14") decreased by 28.6% year-on-year ("y-o-y") from RMB 1.6 billion to RMB 1.2 billion. This was due mainly to decreases in both the selling prices and the sales volume of our Group's corn refining products.

For 2QFY14, sales volume for corn refining segment decreased from 312K ("K"=1,000) tonnes to 177K tonnes or about 43.3% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 37.4%, 84.6% and 45.1% respectively. For 1HFY14, sales volume for corn refining segment decreased from 554K tonnes to 426K tonnes or by about 23.1% y-o-y. This decrease was attributable to the decreases in the sales volumes of corn sweeteners, corn starch and by-products of about 16.8%, 65.9% and 26.6%, respectively.

For 2QFY14, the weighted average price of the Group's corn refining products decreased by 4.3% y-o-y, due mainly to the further declining cane sugar prices and lower price competition from competitors resulting from weak market. This decrease was attributable to the decreases in prices of corn sweeteners, corn starch and

by-products of about 7.1%, 0.5% and 5.9% respectively. For the same reason, the weighted average price of the Group's corn refining products for 1HFY14 decreased by 6.3% y-o-y. This decrease was attributable to the decrease in prices of corn sweeteners, corn starch and by-products of about 7.5%, 0.7% and 6.5% respectively.

The Group's export revenue in 1HFY14 decreased by 9.3% as compared to 1HFY13. However the export revenue as a percentage of total revenue increased from 5.3% in 1HFY13 to 6.7% in 1HFY14.

Gross profit and gross profit margin

2QFY14 versus 2QFY13

	2QFY14		2QFY13	
	RMB'000	%	RMB'000	%
Corn refining	30,742	6.2	49,166	6.8
Animal feeds	(98)	(0.1)	4,674	4.1
Others	303	6.8	(471)	(12.6)
Total	<u>30,947</u>	<u>5.5</u>	<u>53,369</u>	<u>6.3</u>

1HFY14 versus 1HFY13

	1HFY14		1HFY13	
	RMB'000	%	RMB'000	%
Corn refining	52,830	5.2	102,717	7.3
Animal feeds	874	0.6	7,827	3.7
Others	(169)	(2.5)	(97)	(0.7)
Total	<u>53,535</u>	<u>4.6</u>	<u>110,447</u>	<u>6.7</u>

For 2QFY14, gross profit decreased by 42.0% y-o-y to RMB 30.9 million. Revenue decreased by 32.9% y-o-y, while the cost of sales for the corresponding period decreased by 32.3%. This was mainly due to the decrease in both the selling price and the sales volume for corn refining segment of 4.3% and 43.3% y-o-y respectively and the increase in corn prices of 3.8% y-o-y.

Similarly, for 1HFY14, gross profit decreased by 51.5% y-o-y to RMB 53.5 million. Group revenue decreased by 28.6% y-o-y, while the cost of sales for the corresponding period decreased by 27.0%. This was mainly due to the decrease in both the selling price and the sales volume for corn refining segment of 6.3% and 23.1% y-o-y respectively.

The Group's animal feeds segment made a gross profit of about RMB 0.9 million in 1HFY14 compared with RMB 7.8 million in 1HFY13, decreasing by 88.8%, due to the decrease in both sales volume and selling price by 27.8% and 4.6% y-o-y respectively.

The Group's others segment made a gross loss of about RMB 0.2 million in 1HFY14 compared with a gross loss of about RMB 0.1 million in 1HFY13 due mainly to the decrease of about RMB 0.2 million in gross profit of amino acids.

Other operating income

Other operating income decreased from RMB 18.4 million in 1HFY13 to RMB 18.0 million in 1HFY14 due largely to the decrease of RMB 1.7 million in others partially offset by the increase of RMB 1.0 million in gain on sale of consumables and waste materials.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 21.4% from RMB 75.7 million in 1HFY13 to RMB 59.5 million in 1HFY14, which is in line with the decrease in revenue. This is mainly attributable to reduction in transportation costs, staff salaries and supplementary sales tax.

- Administrative expenses

The Group's administrative expenses increased by 6.1% from RMB 62.4 million in 1HFY13 to RMB 66.2 million in 1HFY14, mainly due to the increase in depreciation of plant and equipment resulting from production halts of certain products.

- Other operating expenses

Other operating expenses increased by RMB 129.4 million from RMB 11.4 million in 1HFY13 to RMB 140.9 million in 1HFY14. This was due mainly to the impairment of property, plant and equipment of about RMB 138.9 million. This increase were partially offset by the decrease of allowance for slow-moving inventories, foreign exchange loss and payment of accrued income tax for prior year of about RMB 6.0 million, RMB 1.0 million and RMB 2.8 million respectively.

Finance costs

The Group's finance costs increased by 10.7% from RMB 25.8 million in 1HFY13 to RMB 28.5 million in 1HFY14. This is mainly attributable to the increase in average interest-bearing loans and borrowings and higher effective interest rates.

Taxation

There was no income tax expense due to the losses across the whole Group, and the loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits.

Total comprehensive income

The Group's total comprehensive income decreased by 342.4% from a loss of RMB 50.5 million in 1HFY13 to a loss of RMB 223.5 million in 1HFY14 due mainly to a 51.5% y-o-y decrease in gross profit of about RMB 56.9 million, and the increase in other operating expenses of about RMB 129.4 million, partly offset by the decreases in selling and distribution expenses of about RMB 16.2 million.

b) Balance Sheet

<u>GROUP</u>	<u>1HFY14</u>	<u>FY13</u>
Inventory turnover days	38	37
Trade receivable turnover days	31	27
Trade payable turnover days	33	32
Debt equity ratio	4.50	1.87

(i) Current assets

Current assets decreased by RMB 8.3 million from RMB 615.9 million as at 31 December 2013 to RMB 607.6 million as at 30 June 2014, due mainly to the decrease in inventories of RMB 83.3 million, the increase in trade receivables of RMB 12.9 million, the increase in amount owing by related parties of RMB 1.6 million, and the increase in cash and cash equivalents of RMB 59.5 million. Trade receivables turnover days for 1HFY14 was 31 days as compared with 27 days for FY13. Inventory turnover days increased from 37 days in FY13 to 38 days in 1HFY14.

(ii) Non-current assets

The decrease of RMB 180.6 million in non-current assets was mainly due to the depreciation and impairment of RMB 49.8 million and RMB 138.9 million (impairment for 2013:Nil) respectively, which were partially offset by the capital expenditure of RMB 14.8 million.

(iii) Current liabilities

Current liabilities increased by RMB 47.4 million from RMB 552.7 million as at 31 December 2013 to RMB 600.1 million as at 30 June 2014, due mainly to the increase in interest-bearing loans and borrowings of RMB 88.0 million. The trade payables, other payables and accruals, and the amount owing to related parties decreased by RMB 26.1 million, RMB 9.0 million and RMB 1.9 million respectively. The Group also repaid the interest-free loan from a Director of RMB 1.5 million and paid for the income tax of RMB 1.4 million for the year 2013. Trade payable turnover days was higher at 33 days, compared with 32 days for FY13.

The Group's debt equity ratio was 4.50 times as at end of 1HFY14 compared with 1.87 times as at end of FY13. This was due to the increase of RMB 78.1 million in total interest-bearing loans and borrowings and the decrease of RMB 223.5 million in total equity.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 12.9 million due to the decrease of RMB 10.0 million in long-term interest-bearing loans and borrowings, and the decrease of RMB 2.9 million in deferred income.

(v) Shareholders' equity

As at 30 June 2014, shareholders' equity was lower than that as at 31 December 2013 due to the net loss of RMB 223.5 million incurred in 1HFY14.

c) Cash Flows

For 1HFY14, the Group experienced net operating cash inflow of RMB 19.5 million. This comprised operating profit before changes in working capital of negative RMB 11.6 million adjusted for changes in working capital of RMB 32.4 million and income taxes paid of RMB 1.4 million.

The change in working capital was mainly the result of:

- i) a decrease in inventory of RMB 84.8 million, which were offset by
- ii) an increase in trade receivables of RMB 12.8 million;
- iii) an increase in amount owing by related parties of RMB 1.6 million;
- iv) a decrease in trade payables of RMB 26.1 million;
- v) a decrease in other payables and accruals of RMB 9.0 million; and
- vi) a decrease in amount owing to related parties of RMB 1.9 million.

Net cash used in investing activities amounted to RMB 21.6 million in 1HFY14. This was mainly for the purchase and construction of plant and equipment in our Henan plant and net increase in pledged cash deposits. These cash outflows were partially mitigated by the cash inflows of RMB 6.5 million arising from proceeds from the disposal of plant and equipment.

Net cash inflow from financing activities was RMB 48.1 million, mainly due to the net increase of bank loan amounting to RMB 78.1 million, partially mitigated by payment of interest expense of RMB 28.5 million. The additional bank loan was mainly used to finance the working capital needs.

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 2QFY14 are consistent with the commentary under section 10 of the announcement dated 14 May 2014 on the unaudited financial statements for the first quarter ended 31 March 2014.

- 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**

The cost of raw corn materials had been trending upward in the second quarter of 2014 vis-à-vis a decline in the first quarter. The increase in the cost of raw corn materials was primarily due to the government increase in its national corn reserves resulting in the shortage of raw corn materials available in the market. In addition, the average selling prices of our corn sweetener products continue to decline due to the falling prices of cane sugar and the corn sweetener products as a result of oversupply in the domestic market. The Group expects the domestic market restructuring would continue to affect its business in terms of its sales volume and revenue coupled with the weak exports market due to the persistent slow down in the global economy and uncertainty of the conflict in the Middle East. Hence, the Group is not optimistic in its business outlook due to the overall unstable market conditions.

- 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 second quarter ended 30 June 2014.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2014

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Six months ended	Six months ended
	RMB'000	RMB'000
	30/06/2014	30/06/2013
Rental expenses to Shandong Luzhou	1,550	1,550
Rental expenses to Shaanxi Luzhou	1,050	1,050

Shandong Luzhou – Shandong Luzhou Food Group., Ltd.

Shaanxi Luzhou – Shaanxi Xingping Luzhou Sugar Products Co., Ltd

The Company does not have a general mandate from shareholders for interested person transactions.

14 Confirmation Pursuant to Rule 705(5) of the Listing Manual

We, Niu Ji Xing and Wang De You, being the Directors of Luzhou Bio-Chem Technology Limited (“the Company”), do hereby confirm for and on behalf of the Board of Directors of the Company that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter ended 30 June 2014 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

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
12 August 2014