



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Fourth Quarter and
Full Year Results
Announcement for the Period
Ended 31 December 2017**

UNAUDITED FINANCIAL STATEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 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.

	4QFY17	4QFY16	Change	FY17	FY16	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	528,869	537,465	(1.6)	2,038,317	1,921,780	6.1
Cost of sales	(464,155)	(470,956)	(1.4)	(1,829,173)	(1,709,407)	7.0
Gross profit	64,714	66,509	(2.7)	209,144	212,373	(1.5)
Other operating income	7,527	77,381	(90.3)	96,535	103,708	(6.9)
Selling and distribution expenses	(32,408)	(26,010)	24.6	(131,463)	(102,228)	28.6
Administrative expenses	(26,373)	(28,017)	(5.9)	(109,134)	(107,606)	1.4
Other operating expenses	(35,374)	(31,938)	10.8	(45,640)	(36,882)	23.7
Finance expenses	(12,285)	(12,041)	2.0	(52,265)	(50,497)	3.5
(Loss)/Profit before taxation	(34,199)	45,884	(174.5)	(32,823)	18,868	(274.0)
Income tax expense	(131)	(1,138)	(88.5)	(694)	(4,989)	(86.1)
(Loss)/Profit for the period, representing total comprehensive (loss)/income	(34,330)	44,746	(176.7)	(33,517)	13,879	(341.5)
Total comprehensive (loss)/ income attributable to :						
Owners of the Company	(34,330)	44,746	(176.7)	(33,517)	13,879	(341.5)
Gross profit margin	12.2%	12.4%	(1.6)	10.3%	11.1%	(7.2)
Net (loss)/profit margin	(6.5%)	8.3%	(178.3)	(1.6%)	0.7%	(328.6)
(Loss)/profit per share (RMB cents)						
- Basic	(5.8)	7.5	(177.3)	(5.6)	2.3	(343.5)
- Diluted	(5.8)	7.5	(177.3)	(5.6)	2.3	(343.5)

Notes to the Comprehensive Income Statement

	4QFY17	4QFY16	Change	FY17	FY16	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss)/Profit before tax is arrived at after charging/ (crediting)						
Interest income	(354)	(730)	(51.5)	(2,504)	(2,808)	(10.8)
Interest expense on borrowings	12,285	12,041	2.0	52,265	50,497	3.5
Depreciation of plant and equipment	22,027	18,614	18.3	83,981	76,385	9.9
Amortisation of land use rights	267	268	(0.4)	1,069	1,069	-
Amortisation of government grants	(1,680)	(3,156)	(46.8)	(6,718)	(7,878)	(14.7)
Foreign exchange loss/(gain) (net)	23	(837)	102.7	245	(834)	129.4
(Gain)/loss on disposal of plant and equipment	(120)	25,475	100.5	57	25,188	99.8
Impairment of property, plant and equipment	34,000	-	-	34,000	-	-
Reversal of impairment of property, plant and equipment	-	-	-	(67,441)	-	-
Allowance for doubtful trade receivables	1,889	5,076	(62.8)	1,884	5,076	(62.9)
Allowance for /(Reversal of allowance for) slow-moving inventory	440	(1,511)	129.1	440	(1,511)	129.1

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

	GROUP		COMPANY	
	31-Dec-2017 RMB'000	31-Dec-2016 RMB'000	31-Dec-2017 RMB'000	31-Dec-2016 RMB'000
ASSETS:-				
Current assets				
Inventories	188,437	175,554	-	-
Trade receivables	177,594	184,653	-	-
Other receivables, deposits and prepayments	45,359	117,199	35	10,786
Amount owing by related parties	-	950	-	-
Income tax prepaid	684	-	-	-
Cash and cash equivalents ⁽¹⁾	190,258	301,172	3,266	5,376
	<u>602,332</u>	<u>779,528</u>	<u>3,301</u>	<u>16,162</u>
Non-current assets				
Investment in subsidiaries	-	-	336,954	372,654
Available for sale investment	2,060	2,060	-	-
Property, plant and equipment	640,389	656,874	-	-
Land use rights	43,675	44,744	-	-
	<u>686,124</u>	<u>703,678</u>	<u>336,954</u>	<u>372,654</u>
Total assets	<u>1,288,456</u>	<u>1,483,206</u>	<u>340,255</u>	<u>388,816</u>
LIABILITIES				
Current liabilities				
Trade payables	247,185	233,954	-	-
Other payables and accruals	93,795	98,715	995	979
Amount owing to related parties	1,769	1,550	119	-
Amount owing to subsidiaries	-	-	836	9,973
Interest-bearing loans and borrowings	220,000	330,000	-	-
Deferred income	5,355	6,201	-	-
Income tax payable	-	261	-	-
	<u>568,104</u>	<u>670,681</u>	<u>1,950</u>	<u>10,952</u>
Non-current liabilities				
Interest-bearing loans and borrowings	577,150	640,000	-	-
Interest-bearing loan from a Director	9,864	-	9,864	-
Deferred income	37,401	37,212	-	-
Deferred taxation	589	589	-	-
	<u>625,004</u>	<u>677,801</u>	<u>9,864</u>	<u>-</u>
Total liabilities	<u>1,193,108</u>	<u>1,348,482</u>	<u>11,814</u>	<u>10,952</u>
NET ASSETS	<u>95,348</u>	<u>134,724</u>	<u>328,441</u>	<u>377,864</u>

EQUITY

Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profits	(304,755)	(265,379)	19,718	69,141
TOTAL EQUITY	95,348	134,724	328,441	377,864

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

	31- Dec-2017	31-Dec-2016
	RMB'000	RMB'000
Cash and bank balances	92,978	155,172
Pledged cash deposits	97,280	146,000
	190,258	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 31-Dec-2017		As at 31-Dec-2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
200,000	20,000	290,000	40,000

Amount repayable after one year

As at 31-Dec-2017		As at 31-Dec-2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
397,150	189,864	379,000	261,000

Details of any collateral

As at 31 December 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.

	4QFY17 RMB'000	4QFY16 RMB'000	FY17 RMB'000	FY16 RMB'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(34,199)	45,884	(32,823)	18,868
Adjustments for:-				
Depreciation of property plant and equipment	22,027	18,614	83,981	76,385
Amortisation of land use rights	267	268	1,069	1,069
Amortisation of government grants	(1,680)	(3,156)	(6,718)	(7,878)
(Gain)/Loss on disposal of plant and equipment	(120)	25,475	57	25,188
Interest expense	12,285	12,041	52,265	50,497
Interest income	(354)	(730)	(2,504)	(2,808)
Impairment of plant and equipment	34,000	-	34,000	-
Reversal of impairment of plant and equipment	-	-	(67,441)	-
Allowance for/(Reversal of allowance for) slow-moving inventory (net)	440	(1,511)	440	(1,511)
Allowance for doubtful trade receivables (net)	1,889	5,076	1,884	5,076
Operating profit before working capital changes	34,555	101,961	64,210	164,886
Changes in working capital:				
Inventories	(42,677)	(33,732)	(13,323)	24,184
Trade receivables	4,859	426	5,175	(5,656)
Other receivables, deposits and prepayments	16,470	(53,337)	71,840	(75,202)
Amount owing by related parties	75	(950)	950	(950)
Trade payables	14,464	32,638	13,231	25,782
Other payables and accruals	(6,181)	5,855	(4,920)	20,825
Amount owing to related parties	147	675	219	1,025
Cash generated from operations	21,712	53,536	137,382	154,894
Income taxes paid	-	(1,087)	(1,639)	(7,476)
Net cash generated from operating activities	21,712	52,449	135,743	147,418
Cash flows from investing activities				
Purchase of plant and equipment	(27,298)	(11,143)	(59,991)	(122,921)
Purchase of land use rights	-	(47)	-	(47)
Purchase of available for sale investment	-	(2,060)	-	(2,060)
Proceeds from disposal of plant and equipment	13,656	(6,945)	25,879	12,442
Proceeds from government grants	-	6,719	6,061	10,169
Interest income received	354	730	2,504	2,808
Net cash (used in) investing activities	(13,288)	(12,746)	(25,547)	(99,609)

Cash flows from financing activities

Payment of dividend	-	-	(5,859)	(5,659)
Interest expense paid	(12,285)	(12,041)	(52,265)	(50,497)
Cash deposits pledged	-	(56,000)	(286,769)	(376,000)
Pledged cash deposit being released	30,000	96,000	335,489	315,000
Proceeds from interest-bearing loans from a Director	-	-	9,864	-
Repayment of interest - bearing loans and borrowings	(231,500)	(328,000)	(1,205,500)	(1,230,400)
Proceeds from interest - bearing loans and borrowings	160,150	247,000	1,032,650	1,373,000
Net cash (used in)/generated from financing activities	(53,635)	(53,041)	(172,390)	25,444
Net (decrease) /increase in cash and bank balances	(45,211)	(13,338)	(62,194)	73,253
Cash and bank balances at beginning of period/year	138,189	168,510	155,172	81,919
Cash and bank balances at end of period/year	92,978	155,172	92,978	155,172

- 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 loss for the period	-	-	(34,536)	(34,536)
Balance as at 30 September 2017	308,723	91,380	(270,425)	129,678
Total comprehensive loss for the period	-	-	(34,330)	(34,330)
Balance as at 31 December 2017	308,723	91,380	(304,755)	95,348

	← 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
Total comprehensive income for the period	-	-	44,746	44,746
Transfer to statutory reserves	-	487	(487)	-
Balance as at 31 December 2016	308,723	91,380	(265,379)	134,724

COMPANY

	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
Total comprehensive loss for the period	-	(37,447)	(37,447)
Balance as at 31 December 2017	308,723	19,718	328,441

	Share Capital	Accumulated 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
Total comprehensive loss for the period	-	(1,059)	(1,059)
Balance as at 31 December 2016	308,723	69,141	377,864

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 September 2017. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 31 December 2017 and 31 December 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	
	31- Dec-2017	31-Dec-2016
Ordinary shares	594,000,000	594,000,000

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

None

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

None

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied

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 year ended 31 December 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

	4QFY17	4QFY16	FY17	FY16
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(Loss)/Profit per share				
(a) Based on weighted average number of ordinary shares in issue	(5.8)	7.5	(5.6)	2.3
Weighted average number of shares in issue	594,000,000	594,000,000	594,000,000	594,000,000
(b) On a fully diluted basis	(5.8)	7.5	(5.6)	2.3

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

	Group		Company	
	31-Dec-2017	31-Dec-2016	31-Dec-2017	31-Dec-2016
Net asset value per ordinary share	RMB 16.1 cents	RMB 22.7 cents	RMB 55.3 cents	RMB 63.6 cents

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.

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

4QFY17 versus 4QFY16

Revenue	4QFY17		4QFY16		Change
	RMB'000	%	RMB'000	%	%
Corn refining	528,856	100.0	537,465	100.0	(1.6)
Animal feeds	-	-	-	-	-
Others	13	-	-	-	-
Total	<u>528,869</u>	<u>100.0</u>	<u>537,465</u>	<u>100.0</u>	<u>(1.6)</u>

FY17 versus FY16

Revenue	FY17		FY16		Change
	RMB'000	%	RMB'000	%	%
Corn refining	2,037,029	99.9	1,908,028	99.3	6.8
Animal feeds	-	-	9,603	0.5	(100.0)
Others	1,288	0.1	4,149	0.2	(69.0)
Total	<u>2,038,317</u>	<u>100.0</u>	<u>1,921,780</u>	<u>100.0</u>	<u>6.1</u>

The Group's revenue for 4QFY17 decreased slightly by 1.6% from RMB 537.5 million in 4QFY16 to RMB 528.9 million in 4QFY17 due mainly to the decrease in sales volume of our corn refining segment partially offset by the increase in selling prices of our corn refining products. The revenue for FY17 increased by 6.1% year-on-year ("y-o-y") from RMB 1.9 billion to RMB 2.0 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. The strict environmental regulation has resulted in the weak demand and stiff competition in the corn sweetener industry.

For 4QFY17, sales volume for our corn refining segment decreased by 1.3% from 271K ("K"=1,000) tonnes to 268K tonnes period-on-period ("p-o-p"). This p-o-p decrease was mainly attributable to the decrease in the sales volume of corn starch by 100.0%. For FY17, sales volume for our corn refining segment increased from 944K tonnes to 1,042K tonnes or by about 10.4% y-o-y. This y-o-y increase was mainly attributable to the increases in the sales volumes of corn sweeteners and by-products of about 8.8% and 15.5% respectively, partially offset by the decrease in the sales volume of corn starch of about 9.5%.

For 4QFY17, the weighted average selling price of the Group's corn refining products increased by 2.5% p-o-p. This increase was attributable to the increase in price of corn sweeteners of about 6.4%, partially offset by the

decrease in price of by-products by 16.6%. For FY17, the weighted average selling price of the Group's corn refining products decreased by 0.9% y-o-y. This decrease was attributable to the decreases in prices of corn sweeteners, corn starch and by-products of about 0.6%, 1.0% and 3.5% respectively.

The Group's export revenue in FY17 decreased by 1.8% as compared to FY16. The export revenue as a percentage of total revenue decreased from 3.4% in FY16 to 3.1% in FY17.

Gross profit and gross profit margin

4QFY17 versus 4QFY16

	4QFY17		4QFY16	
	RMB'000	%	RMB'000	%
Corn refining	63,718	12.0	65,985	12.3
Animal feeds	-	-	-	-
Others	996	NM	524	-
Total	<u>64,714</u>	12.2	<u>66,509</u>	12.4

FY17 versus FY16

	FY17		FY16	
	RMB'000	%	RMB'000	%
Corn refining	206,816	10.2	212,314	11.1
Animal feeds	-	-	(1,238)	(12.9)
Others	2,328	180.7	1,297	31.3
Total	<u>209,144</u>	10.3	<u>212,373</u>	11.1

*NM – Not meaningful

For 4QFY17, gross profit decreased by 2.7% p-o-p to RMB 64.7 million, and the gross profit margin decreased from 12.4% in 4QFY16 to 12.2%. Group revenue decreased by 1.6%, while the cost of sales for the corresponding period decreased by 1.4%. These were due mainly to the increase in corn price of about 1.1% p-o-p.

Gross profit for FY17 decreased by 1.5% y-o-y to RMB 209.1 million. Group revenue increased by 6.1% y-o-y, while the cost of sales increased by 7.0%. Gross profit margin decreased from 11.1% in FY16 to 10.3% in FY17. This was mainly due to the decrease in selling price of our corn refining segment y-o-y.

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

The Group's others segment including our Hongzhou subsidiary made a gross profit of RMB 2.3 million in FY17 compared with RMB 1.3 million in FY16.

Other operating income

Other operating income decreased by RMB 7.2 million from RMB 103.7 million in FY16 to RMB 96.5 million in FY17, due largely to the decrease in government grant and subsidies, which was partially offset by 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 due to a fire at our Liaoning subsidiary.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses increased by 28.6% or RMB 29.2 million from RMB 102.2 million in FY16 to RMB 131.5 million in FY17. This was mainly attributable to the increase in transportation costs.

- Administrative expenses

The Group's administrative expenses increased by 1.4% from RMB 107.6 million in FY16 to RMB 109.1 million in FY17. 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, and the decrease in allowance for doubtful trade receivables.

- Other operating expenses

Other operating expenses increased by RMB 8.8 million from RMB 36.9 million in FY16 to RMB 45.6 million in FY17. This was due mainly to the losses of about RMB 7.3 million resulting from a fire at our Liaoning subsidiary and the impairment of property, plant and equipment of our Sichuan subsidiary of about RMB 34.0 million, which was partially offset by the decrease in the loss on disposal of plant and equipment of about RMB 25.2 million and the decrease in the relocation expenses of about RMB 6.2 million both mainly resulting from the relocation of our Shandong subsidiary completed by end of FY16.

Finance costs

The Group's finance costs increased by 3.5% from RMB 50.5 million in FY16 to RMB 52.3 million in FY17 mainly attributable to the increase in interest costs.

Income tax expense

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 FY17 was higher than the statutory tax rate.

Total comprehensive income

The Group's total comprehensive income decreased by 341.5% from a profit of RMB 13.9 million in FY16 to a net loss of RMB 33.5 million in FY17, this was mainly due to the decrease in other operating income and the increase in operating expenses.

b) Statement of Financial Position

GROUP	<u>FY17</u>	<u>FY16</u>
Inventory turnover days	36	40
Trade receivable turnover days	32	35
Trade payable turnover days	48	47
Debt equity ratio	8.46	7.20

(i) Current assets

Current assets decreased by RMB 177.2 million from RMB 779.5 million as at 31 December 2016 to RMB 602.3 million as at 31 December 2017, due mainly to the decrease in trade receivables of RMB 7.1 million, the decrease in other receivables, deposits and prepayments (including the amount owing by related parties) of RMB 72.8 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 110.9 million, which were partially offset by the increase in inventories of RMB 12.9 million. Trade receivable turnover days decreased slightly from 35 days in FY16 to 32 days in FY17. Inventory turnover days was lower at 36 days in FY17 as compared with 40 days for FY16.

(ii) Non-current assets

The decrease in non-current assets of RMB 17.6 million was mainly due to the depreciation of RMB 85.1 million and the disposal of plant and equipment of RMB 25.9 million, which were partially offset by the decrease in impairment of property, plant and equipment of RMB 33.4 million and the capital expenditure of RMB 60.0 million.

(iii) Current liabilities

Current liabilities decreased by RMB 102.6 million from RMB 670.7 million as at 31 December 2016 to RMB 568.1 million as at 31 December 2017, due mainly to the decrease in short-term interest-bearing loans and borrowings of RMB 110.0 million (as at 31 December 2017, the pledged cash deposits decreased by RMB 48.7 million to RMB 97.3 million as compared to 31 December 2016), and the decrease in other payables and accruals of RMB 4.9 million, partially offset by the increase in trade payables of RMB 13.2 million. Trade payable turnover days was higher at 48 days compared with 47 days for FY16.

The Group's debt equity ratio was 8.46 times as at 31 December 2017 compared with 7.20 times as at 31 December 2016, and the net debt equity ratio was 6.47 times as at 31 December 2017 (31 December 2016: 4.96 times). This was mainly due to the decrease of RMB 39.4 million or 29.2% in total equity resulting from the

net loss in FY17 and the payment of dividend in May 2017, and the decrease of RMB 163.0 million or 16.8% in total interest-bearing loans and borrowings.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 52.8 million due mainly to the decrease of RMB 53.0 million in long-term interest-bearing loans.

(v) Shareholders' equity

As at 31 December 2017, shareholders' equity was lower than that as at 31 December 2016 mainly due to the net loss of RMB 33.5 million in FY17 and payment of dividend of RMB 5.9 million in May 2017.

c) Cash Flows

For FY17, the Group experienced net operating cash inflow of RMB 135.7 million. This comprised operating profit before changes in working capital of RMB 64.2 million adjusted for decrease in working capital of RMB 73.2 million and income taxes paid of RMB 1.6 million.

The decrease in working capital was mainly the result of:

- i) a decrease in trade receivables of RMB 5.2 million,
- ii) a decrease in other receivables, deposits and prepayments (including the amount owing by related parties) of RMB 72.8 million,
- iii) an increase in trade payables of RMB 13.2 million,

which were offset by

- iv) an increase in inventory of RMB 13.3 million, and
- v) a decrease in other payables and accruals of RMB 4.9 million.

Net cash used in investing activities amounted to RMB 25.5 million in FY17. This was mainly due to the construction of property, plant and equipment in our Shandong subsidiary; the upgrading and reconstruction of our production line in our Henan subsidiary, Shaanxi subsidiary and Sichuan subsidiary in order to meet the stricter environmental requirements implemented by the central government; 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 25.9 million, proceeds from government grants for low-energy environmental protection equipment of RMB 6.1 million, and the interest income of RMB 2.5 million.

Net cash used in financing activities was RMB 172.4 million, mainly due to the net decrease in total bank loans of RMB 172.9 million and payment of interest expense and dividend of RMB 52.3 million and RMB 5.9 million respectively. These cash outflows were partially offset by the decrease in pledged cash deposits of RMB 48.7 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 4QFY17 are consistent with the commentary under section 10 of the announcement dated 14 November 2017 on the unaudited financial statements for the third quarter and nine months ended 30 September 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

China's economy in 2018

While China's economy has been on an accelerated growth since 2010, the growth is expected to slow down in 2018. The government is poised to tackle domestic debt, poverty and pollution as key initiatives and the government is expecting more modest economic performance for 2018. On the whole, China's economic growth is expected to be moderate in 2018.

On the domestic economy front, the government has pledged to tighten its financial risks control to prevent over-gearing by bank borrowers. Companies will face tightening of bank loans and this may be challenging for the Group with the possibility of banks lowering banking limits and/or increasing loan interest rates. Furthermore, as China is taking the lead in global climate controls, more stringent rules to curb the pollution of the environment is expected and this will add pressure on manufacturing companies such as the Group to invest in new equipment and/or upgrade their plants, equipment and facilities in order to meet the higher environmental standards and requirements. It is expected that more capital investments are needed and that will increase the Group's overall operating cost of business.

In addition, the Group expects to face challenging domestic market conditions due to the unpredictable climate changes that may affect the supply of raw corn material and hence its prices in 2018. The shift in consumer behavior towards a healthier lifestyle of less sugar consumption is also expected to affect the Group.

In view of the uncertainty and the Chinese government's open-door policy of re-structuring its economy to allow more imports of foreign goods, the management is cautious of the Group's business outlook in 2018.

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?

A final one-tier tax exempt cash dividend of S\$0.002 per ordinary share was declared in respect of the financial year ended 31 December 2016.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the fourth quarter ended 31 December 2017 or recommended for the financial year ended 31 December 2017.

13 Summary of Interested Person Transactions for the financial period ended 31 December 2017

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Year ended	Year ended
	31/12/2017	31/12/2016
	RMB'000	RMB'000
Rental expenses to Shandong Luzhou	-	1,550
Rental expenses to Shaanxi Luzhou	2,100	2,100
Interest payable for loan granted by Niu Ji Xing	119	-

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Geographical segments

	RMB'000	RMB'000
	FY17	FY16
Segment revenue by location of customers		
- PRC	1,974,849	1,857,124
- Overseas	63,468	64,656
	<u>2,038,317</u>	<u>1,921,780</u>
Capital expenditures by geographical location of assets		
- PRC	59,991	122,968
	<u>59,991</u>	<u>122,968</u>
Segment assets by geographical location of assets		
- PRC	1,285,155	1,477,794
- Overseas	3,301	5,412
	<u>1,288,456</u>	<u>1,483,206</u>

Operating segment for FY17

	Corn refining RMB'000	Animal feeds RMB'000	Others RMB'000	Corporate RMB'000	Eliminations RMB'000	Notes	Group RMB'000
Revenue:							
External customers	2,037,029	-	1,288	-	-		2,038,317
Intra-segment sales	10,685	-	10,411	-	(21,096)	A	-
Total Revenue	<u>2,047,714</u>	-	<u>11,699</u>	-	<u>(21,096)</u>		<u>2,038,317</u>
Results:							
Segment (loss) / profit before tax	25,493	(1,468)	(1,728)	(43,444)	(11,676)	B	(32,823)
Income tax expense	(694)	-	-	-	-		(694)
Interest income from banks	2,503	-	1	-	-		2,504
Interest expenses	(52,139)	(2)	(4)	(120)	-		(52,265)
Depreciation of plant and equipment	(84,370)	(865)	(833)	-	2,087	C	(83,981)
Amortization of land use right	(1,069)	-	-	-	-		(1,069)

Impairment of property, plant and equipment	(34,000)	-	-	-	-		(34,000)
Reversal of impairment of property, plant and equipment	67,441	-	-	-	-		67,441
Other non-cash income	3,926	5	463	-	-	D	4,394
Assets:							
Segment asset	1,281,798	3,712	10,853	3,301	(11,208)	E	1,288,456
Additions to non-current assets	59,988	-	3	-	-	F	59,991
Liabilities:							
Segment liabilities	1,179,232	41	2,269	10,977	589	G	1,193,108

Operating segment for FY16

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
Revenue:							
External customers	1,908,028	9,603	4,149	-	-		1,921,780
Intra-segment sales	11,894	-	14,875	-	(26,769)	A	-
Total Revenue	1,919,922	9,603	19,024	-	(26,769)		1,921,780
Results:							
Segment profit / (loss) before tax	78,724	(4,293)	2,744	(7,220)	(51,087)	B	18,868
Income tax expense	(4,989)	-	-	-	-		(4,989)
Interest income from banks	2,806	1	1	-	-		2,808
Interest expenses	(50,488)	(5)	(2)	(2)	-		(50,497)
Depreciation of plant and equipment	(76,331)	(869)	(869)	-	1,684	C	(76,385)
Amortization of land use right	(1,069)	-	-	-	-		(1,069)
Other non-cash income / (expenses)	4,591	(274)	(4)	-	-	D	4,313
Assets:							
Segment asset	1,469,123	5,132	17,132	5,412	(13,593)	E	1,483,206
Additions to non-current assets	122,829	137	2	-	-	F	122,968
Liabilities:							
Segment liabilities	1,342,606	1,484	2,824	979	589	G	1,348,482

Segment information

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenue are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in consolidated financial statements:

	<u>FY17</u>	<u>FY16</u>
	RMB'000	RMB'000
Profit/(loss) from inter-segment sales	2,385	(3,398)
Finance costs net of interest income	(49,761)	(47,689)
Impairment loss of investment in subsidiaries	35,700	-
Total	<u>(11,676)</u>	<u>(51,087)</u>

C Inter-segment elimination of depreciation expenses on consolidation arising from profit on inter-segment sales of property, plant and equipment.

D Other non-cash income / (expenses) comprise the following:

	<u>FY17</u>	<u>FY16</u>
	RMB'000	RMB'000
Amortization of government grant	6,718	7,878
(Allowance for)/reversal of allowance for slow-moving inventories	(440)	1,511
Allowance for trade receivables	(1,884)	(5,076)
	<u>4,394</u>	<u>4,313</u>

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:

	<u>FY17</u>	<u>FY16</u>
	RMB'000	RMB'000
Inter-segment assets	(11,208)	(13,593)

F Additions to non-current assets consist of additions to property, plant and equipment.

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	<u>FY17</u>	<u>FY16</u>
	RMB'000	RMB'000
Deferred tax liabilities	589	589

15 In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Please refer to Note 8 for the review of performance by business or geographical segments.

16 A breakdown of sales

	Group		
	FY17	FY16	Change
	RMB'000	RMB'000	%
(a) Sales reported for first half year	996,143	874,729	13.9
(b) Sales reported for second half year	1,042,174	1,047,051	(0.5)
Variance (H2 vs H1) %	4.6	19.7	
(c) (Loss)/profit after tax and before attributing to non-controlling interests for first half year	35,349	(27,189)	230.0
(d) (Loss)/profit after tax and before attributing to non-controlling interests for second half year	(68,866)	41,068	(267.7)
Variance (H2 vs H1) %	(294.8)	251.0	

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2017	FY2016
Ordinary	-	S\$1,188,000
Preference	-	-
Total	-	S\$1,188,000

There is no proposed dividend for FY2017.

18 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.

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
27 February 2018