



Resilient in a challenging landscape

**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**

Annual Report 2019



CONTENTS

01
Corporate Profile

03

Executive Chairman and
Chief Executive Officer's Message



06
Financial Highlights

09

Operations Review



12
Financial Review

15
Group Structure

16

Sustainability Report



20
Board of Directors

22
Senior Management

24
Corporate Information

25
Corporate Governance Report

39

Financial Contents



113
Statistics of Shareholdings

115
Notice of Annual General Meeting

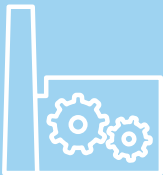
123
Proxy Form

CORPORATE PROFILE



A Track Record of Success

Established in 1988 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in February 2006, Luzhou Biochem Technology Limited (“Luzhou”) is a leading corn refiner and one of the largest producers of maltose-related products and other corn sweeteners in the People’s Republic of China (“PRC”).



Large Production Capacity

Luzhou has strategically increased its production capacity by 37% since 2006, and currently maintains a total production capacity of 890,000 tonnes per annum through five production facilities in the PRC. These include facilities in Yishui, Shandong Province, Fushun, Liaoning Province, Xingping, Shaanxi Province, Xiping, Henan Province and Pengshan, Sichuan Province. These facilities operate with their own water resources and several also have their own power generating capabilities. All of them straddle key corn producing provinces in the PRC to ensure easy access to ample and competitively priced raw materials. Luzhou has also expanded its range of higher value-added products to include sugar alcohol and high fructose corn syrup 55.



Solid Business Capabilities

Luzhou’s competitive edge lies in its capable management, its strong research and product development capabilities, strong corporate branding and, most importantly, good quality corn products. These products are used by its domestic and overseas customers as additives or ingredients in the manufacture of their own products.



Strong Customer Base

Luzhou serves a diverse customer base across multiple industries, among them customers in the food and beverage, fermentation, medical and pharmaceutical sectors. Through higher production capacity and plant utilisation, it is able to assure its customers of reliable and cost effective solutions. Some of its customers include Tsingtao Brewery Co., Ltd (青岛啤酒股份有限公司), Coca-Cola China (可口可乐中国公司), Pepsi-Cola China (百事可乐中国公司) and China Resources Snow Breweries Co., Ltd. (华润雪花啤酒(中国)有限公司).

Customer trust is inextricably intertwined to business success. Trust breeds and grows from quality. Quality is what a product can do for a customer and it drives brand loyalty. For us, our in-depth quality expertise is not just a mantra, but the catalyst for value creation.

In-depth quality expertise



EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors of Luzhou Bio-Chem Technology Limited (“Luzhou” or the “Group”), I present the Group report and financials for the year ended 31 December 2019 (FY2019).

Challenges and Opportunities

During the year in review, we demonstrated resilience amidst a challenging business environment marked by geopolitical and trade uncertainties. Propelled by our forward-looking strategy, we remained committed to delivering quality products, while optimising our operations for enhanced efficiency to deliver sustainable long-term value for our shareholders.

Bolstering Efficiency, Fostering Sustainability

Our investments in upgrading our plants at Henan and Shaanxi in the last financial year enabled us to reap the benefits of enhanced production efficiency and reduced energy consumption, while improving our waste management and pollution control measures. At the same time, the upgrades allowed us to fulfil the government's stringent environmental control regulations and foster greater sustainability across our operations.

Optimising Operations and Restructuring Supply Chain

We adopted a prudent capital management approach against the



**“We demonstrated
resilience amidst a
challenging business
environment marked by
geopolitical and trade
uncertainties.”**

Niu Ji Xing
Executive Chairman and CEO

backdrop of weaker domestic demand for our products from downstream manufacturers, who were affected by declining exports. This comprised optimising our operations to conserve resources and restructuring our supply chain to manage operating costs.

Since July 2019, we deferred capital investments and scaled down our operations to preserve cash in anticipation of further economic headwinds, with production remaining at only four of our five plants in Shandong, Shaanxi, Henan and Liaoning. We stopped production completely at our Sichuan plant in early-2019 and retrenched staff due to unfavourable local market conditions. With the restructuring of our supply chain, we gained cost savings while benefiting from enhanced production efficiency.

Leveraging our strong branding, robust relationships with major customers and commitment to product quality, we are well-positioned to drive value creation. Additionally, the vast experience of our management team and our steadfast focus on innovation places us in good stead to withstand shifting market conditions.

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Financial Performance

In FY2019, Group revenue declined 8.1% to RMB 2.0 billion, mainly due to a reduction in sales volume of our corn refining segment. Likewise, other operating income dipped to RMB 21.5 million during the year, owing to a decrease in gains on sale of consumables and waste materials and lower government grants and subsidies. Compared to 2018, other operating expenses increased from RMB 47.3 million to RMB 51.8 million this year, which stemmed largely from the increase in impairment loss of property, plant and equipment of about RMB 3.0 million, the increase in the loss on disposal of plant and equipment and the allowance for slow-moving inventory, which were partially offset by the reduction in employee compensation for work-related injury.

The year in review saw the Group recording a net loss of RMB 108.4 million. In addition, earnings per share deteriorated from negative RMB 15.2 cents in FY2018 to negative RMB 18.2 cents this year. Meanwhile, net asset value per share declined from 0.8 RMB cents at the close of FY2018 to negative 17.4 RMB cents as at 31 December 2019, while cash and cash equivalents registered a drop from RMB 163.7 million to RMB 112.2 million this year.

Outlook

Market Overview

China's economy continued to decelerate in FY2019, as the COVID-19 outbreak dampened global growth and moderated domestic demand. This is expected to impact demand for our products, as our downstream customers face potential export challenges and softening

transaction volumes and values. In addition, disruptions to the supply chain and the job market owing to the coronavirus situation are anticipated to lower domestic consumer demand.

In line with this, we will calibrate our operations accordingly, pausing our production lines in markets with tepid demand to conserve cost. At the same time, capital investment has been halted, except for maintenance of equipment. As part of our efforts to lower risk, we will prioritise serving the needs of our major customers. This will allow us to continue strengthening our strategic relationships with our core clients. Moving forward, we will continue to keep a close watch on the situation and implement further measures should the need arise.

While the corn sweetener industry faces structural changes and consolidation, the situation is more pronounced for companies that face challenges staying afloat during and post-COVID-19 due to cash flow problems. In light of these headwinds, the Chinese government has revised taxes and injected more liquidity into the financial system mainly to help businesses, with the Group expected to benefit from lower borrowing and business costs.

Stringent Environmental Regulations

The Chinese government's sustained efforts to tackle environmental pollution have led to stringent inspections across industries throughout China. Consequently, this has contributed to higher operating costs for the Group, as more capital investments are needed to upgrade our plants and equipment to fulfil the government's strict pollution control requirements. Notwithstanding this, we will monitor the situation closely

and assess appropriate measures where necessary. With an eye on the future, we are committed to upholding our innovative spirit, as we harness technology to combat environmental pollution, enhance cost competitiveness and improve our production efficiency.

Raw Material Prices

We anticipate that average corn prices will remain stable for the year, owing to the government's central control of the supply of corn. The signing of the US-China phase 1 trade deal in January 2020 bodes positively for Luzhou. The move can potentially lower corn prices significantly, thus enabling the Group to benefit from lower production costs. Meanwhile, we will continue to closely monitor corn prices while optimising operations to facilitate enhanced control and bolster operational efficiency. At the same time, we will conserve our financial resources to minimise losses amidst current economic restructuring and market consolidation.

Appreciation

I would like to express my gratitude to our shareholders, customers, business partners and staff for their unwavering support and trust in us throughout the past year. Building on our position as one of the leading corn refiners in China, we will continue to streamline our operations to facilitate long-term growth, while maintaining our dedication to generating new value in the coming year.

Niu Ji Xing

Executive Chairman and CEO

尊敬的股东，

我谨代表鲁洲生物科技有限公司（下文称“鲁洲”或“集团”）董事会呈递集团2019财年财务报表和财务报告。

挑战和机遇

回顾过去一年，面对地缘政治和贸易不稳定的商业环境，我们表现出了良好的应变能力。在前瞻性策略的推动下，我们继续致力于提供优质的产品，同时优化运营管理，提高效率，为股东提供可持续的长远价值。

提高效率，促进可持续性

在上一财年，我们对河南工厂和陕西工厂进行了升级改造，提高了生产效率，降低了能源消耗，同时提升了我们的废物处理和污染控制能力。与此同时，升级改造使我们能够满足政府严格的环境管治规定，并进一步提升了集团经营的可持续性。

优化运营，调整供应链

我们采取了审慎的资本管理方式，以应对受出口下降影响的下游制造商对我们产品的需求量的下降。这包括优化运营管理以节省资源，以及调整供应链以管理运营成本。

自2019年7月以来，我们推迟了各项资本性投资，并缩减业务规模，旨在保留足够的现金，以应对未来的经济逆风，我们的五家生产工厂目前只有4家仍在生产。在2019年年初，因当地市场环境不佳，我们的四川工厂全面停产，并进行裁员。随着供应链的调整，我们在提高生产效率的同时也节省了成本费用。

凭借我们已建立的强大品牌、与大客户的良好合作关系以及对产品质量的承诺，我们可以更好的推动价值创造。此外，我们管理团队的丰富经验和坚持创新的管理理念，使我们能够经受住市场条件的变化。

财务业绩

在2019年，集团销售收入比去年同期减少8.1%，减少到人民币20亿元，这主要归因于玉米深加工分部销量的减少。同样地，本财年其他业务收入减少到人民币21.5百万元，这归因于废旧物资销售收入的减少和政府补贴的减少。与2018年相比，其他业务支出从人民币47.3百万元增加到今年的人民币51.8百万元，这主要归因于固定资产减值损失增加约人民币3.0百万元以及固定资产清理损失和存货跌价损失的增加，而员工工伤赔款支出的减少部分抵消了上述影响。

回顾过去一年，集团净亏损人民币108.4百万元。此外，每股收益从2018财年的负人民币15.2分恶化到今年的负人民币18.2分。与此同时，每股净资产从2018财年末的人民币0.8分降至2019年12月31日的负人民币17.4分。而现金及现金等价物从人民币163.7百万元减少到今年的人民币112.2百万元。

前景

市场概述

中国经济在2019财年继续减速，新型冠状病毒（COVID-19）的爆发抑制了全球经济增长和国内需求，预计这将影响我们所产产品的市场需求，因为我们的下游客户面临潜在的出口困难以及疲软的交易量和交易额。此外，冠状病毒疫情对供应链和就业市场的影响预计会导致国内消费需求减少。

考虑到这些，我们将对经营业务做相应调整，在市场需求不温不火的地区，我们会暂停该地区生产工厂的生产，以节约成本。与此同时，除设备维修等必要支出外，已停止各项资本性投资。在我们努力降低经营风险的过程中，我们将优先满足大客户的需求。同时，这将使我们能够继续加强与我们的核心客户的战略合作关系。展望未来，我们会继续密切关注有关情况，并在必要时采取进一步措施。

玉米淀粉糖行业正面临着结构性变化和整合，对于那些在新型冠状病毒（COVID-19）爆发期间和之后面临现金流问题而难以维持运营的公司来说，情况更为明显。鉴于这些不利因素，中国政府调整了税收，并向金融体系注入了更多流动性，主要是为了帮助企业，预计集团也将因借贷成本和经营成本的下降而从中受益。

严格的环保管治

中国政府持续努力解决环境污染问题，对全国各行各业进行严格检查。这导致集团运营成本增加，因为我们需要投入更多的资金对生产设备进行升级改造，以满足政府严格的污染控制要求。尽管如此，我们将密切监控形式变化，并在必要时评估、采取适当的应对措施。展望未来，我们将努力秉承创新精神，利用科技应对环境污染问题，提高成本竞争力，提高生产效率。

原材料价格

我们预计，由于政府对玉米供应的集中控制，今年玉米平均价格将保持稳定。2020年1月签署的中美第一阶段贸易协定对鲁洲来说是个好兆头。此举可能会使玉米价格显著下降，从而降低集团的生产成本。同时，我们在优化运营管理、加强业务管控和提高运营效率的过程中，会继续密切监控玉米价格的变动。另外，我们会保存财务资源，尽量减少集团在当前经济调整和市场整合过程中的损失。

感谢语

我想在此感谢各位股东、客户、业务伙伴和员工在过去一年中对我们的支持和信任。作为中国主要的玉米制造商之一，在未来一年，我们将继续致力于创造新价值，同时还将持续优化运营管理，促进集团长期发展。

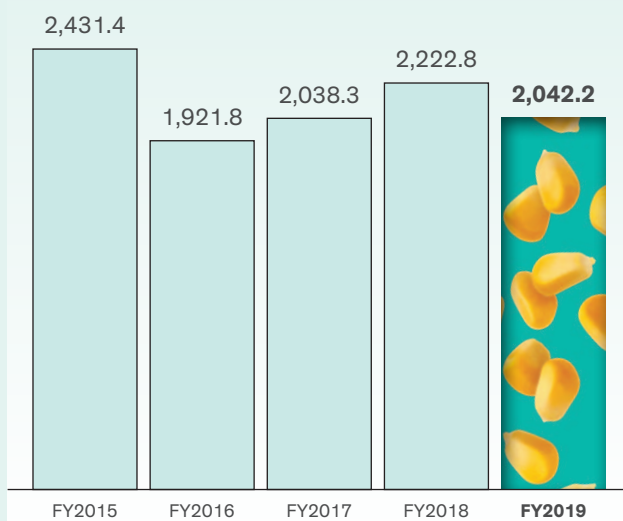
牛继星
执行主席兼CEO

FINANCIAL HIGHLIGHTS

	2015 RMB million	2016 RMB million	2017 RMB million	2018 RMB million	2019 RMB million
Revenue	2,431.4	1,921.8	2,038.3	2,222.8	2,042.2
Profit/(Loss) Before Interests, Tax, Depreciation and Amortisation ("EBITDA")	176.4	146.8	71.1	80.5	51.7
Net (Loss)/Profit Before Tax	36.0	18.9	(32.8)	(85.5)	(95.3)
Net (Loss)/Profit After Tax and Non-controlling Interests ("PATNCI")	28.4	13.9	(33.5)	(90.5)	(108.4)
Net (Loss)/Profit Margin (%)	1.2	0.7	(1.6)	(4.1)	(5.3)
Revenue by Operating Segments (%)					
– Corn Refining	94.6	99.3	99.9	99.9	99.9
– Animal Feed	5.2	0.5	-	-	-
– Others	0.2	0.2	0.1	0.1	0.1
	100.0	100.0	100.0	100.0	100.0
Revenue by Geographical Segments (%)					
– PRC	97.5	96.6	96.9	96.6	95.5
– Other Countries	2.5	3.4	3.1	3.4	4.5
	100.0	100.0	100.0	100.0	100.0
At Year End					
Net Current Assets	30.6	108.8	34.2	24.5	(174.6)
Total Assets	1,285.0	1,483.2	1,288.5	1,217.6	1,036.3
Total Equity	126.5	134.7	95.3	4.8	(103.5)
Total Liabilities	1,158.4	1,348.5	1,193.1	1,212.7	1,139.8
Cash and Cash Equivalents	166.9	301.2	190.3	163.7	112.2
Per Share (RMB cents)					
(Loss)/Earnings per Share	6.3	2.3	(5.6)	(15.2)	(18.2)
Net Tangible Assets per Ordinary Share	21.3	22.7	16.1	0.8	(17.4)
Dividend per Share (SGD)	0.002	0.002	-	-	-
Returns (%)					
Return on Revenue	1.2	0.7	(1.6)	(4.1)	(5.3)
Return on Shareholders' Equity	22.4	10.3	(35.5)	(1,872.4)	(104.7)
Return on Total Assets	2.2	0.9	(2.6)	(7.4)	(10.5)
Ratios					
– Inventory Turnover	37	40	36	39	42
– Trade Receivables	27	35	32	29	33
– Trade Payables	36	47	48	50	56
– Debt to Equity Ratio (Times)	6.54	7.20	8.46	159.3	(7.2)

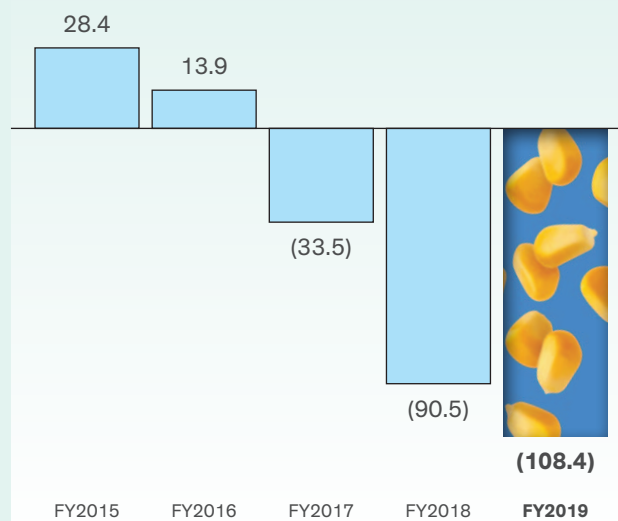
REVENUE

RMB million

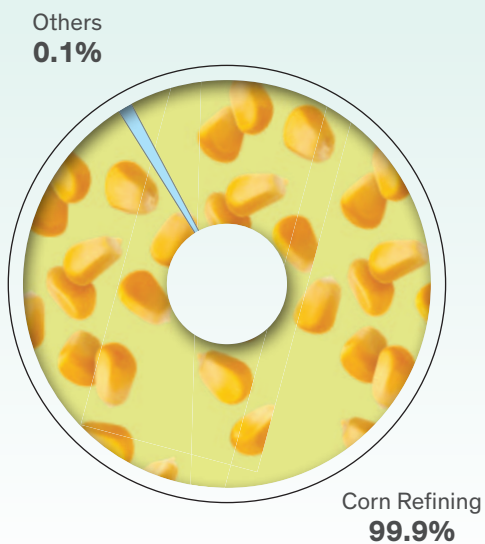


NET (LOSS)/PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS ("PATNCI")

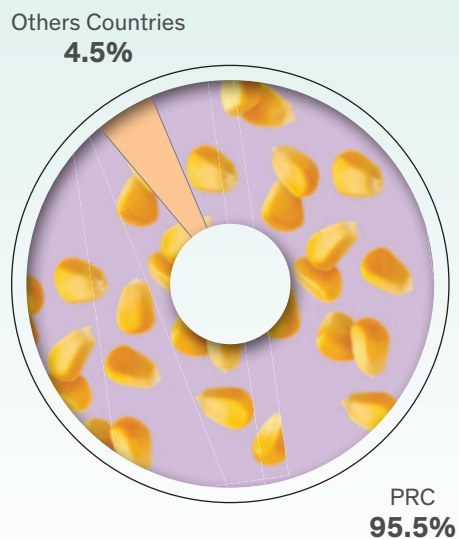
RMB million



REVENUE BY OPERATING SEGMENTS



REVENUE BY GEOGRAPHICAL SEGMENTS



As the world grinds to a halt in these tumultuous times, the forward-looking strategies of our management team to optimise our operations for enhanced efficiency will play an essential role in delivering sustainable long-term value for our shareholders.

Aligned

for optimal efficiency





Liaoning plant office building

OPERATIONS REVIEW

“We maintain our commitment to embracing innovation to drive enhanced production efficiency.”

During the financial year, corn refining products made up 99.9% of the Group's revenue, same with 99.9% in FY2018. Meanwhile, Group revenue witnessed a decline in FY2019, owing to the reduction in sales volume of our corn refining segment. This year's breakdown of revenue by industry was comparable to FY2018, with the food industry continuing to contribute the biggest share at 36.0% (FY2018: 32.5%), followed by fermentation at 18.7% (FY2018: 21.6%) and beverage at 15.9% (FY2018: 13.9%), while the rest comprised food chemicals, paper industry and miscellaneous.

With the Chinese government's stiff environmental regulations, more capital investments are needed to upgrade our plants and equipment to meet these pollution control requirements. This is expected to increase Luzhou's operating expenses. With the inking of phase 1 of the US-China trade deal in early-2020,

Luzhou stands to potentially benefit from the resulting lower corn prices and production costs should China increase its purchase of agricultural products, including corn, from the United States. Moving forward, we will keep a close watch on the cost of raw corn materials and maintain our commitment to embracing innovation to drive enhanced production efficiency.

Geography

Luzhou currently operates four plants that are strategically located across China. Following our investments to upgrade our plants in the last financial year and replace outmoded equipment in FY2019, we benefited from enhanced production efficiency and lower energy consumption, which also enabled us to comply with the government's pollution requirements.

OPERATIONS REVIEW

The moderation of China's economy, alongside trade tensions with the US, had affected domestic demand for our products and impacted the Group's profitability. In light of this, we took a strategic approach not to engage in a price war, but to streamline our operations to conserve resources and restructure our supply chain to control operating costs, in order to preserve cash as we wait out the market cycle.

Our efforts to optimise operations saw us stopping production completely at our Sichuan plant in early-2019, due

to the erosion of our competitiveness in the industry from rising material and production costs. Additionally, we temporarily halted production at our Liaoning plant in July 2019, in view of the oversupply situation in this market. We resumed operations at Liaoning in November 2019 in light of more favourable local business conditions, with production capacity reaching almost 100% by end-2019. Meanwhile, poor market demand led to low selling prices for products at our Shandong plant, which recorded a worst financial performance across its history. We will

keep a watchful eye on the situation and assess suitable measures if needed.

As part of our efforts to strengthen performance, we will remain focused on products where we enjoy pricing advantages as a high-volume producer, such as sorbitol, as well as on high margin products that range from fructose to maltitol. Looking ahead, we will continue to actively engage our high-value customers and tailor our products to meet their specific needs, while consolidating our strengths to deliver enhanced value.

“Moving forward, the Group is firmly dedicated to creating value and delivering sustainable returns to our shareholders.”

Maltose production line in our Liaoning plant



Technology

Amidst the tepid business climate, we cut back on our capital investments in anticipation of further economic uncertainty, which led to the temporary suspension of our research and development (R&D) efforts in FY2019. This aimed to conserve cash for our operations and bolster our financial position, while providing us with the financial flexibility to capture strategic opportunities in the future.

In line with our commitment to excellence, we remain focused on enhancing our performance, driving greater efficiency and cultivating environmental sustainability. At the same time, we will continue building on our robust track record of product quality and food safety, while strengthening our strategic relationships with major customers. Moving forward, the Group is firmly dedicated to creating value and delivering sustainable returns to our shareholders.

Liaoning plant full view



FINANCIAL REVIEW



Revenue

2.0

RMB billion



Gross Profit

181.3

RMB million



Other Operating Income

21.5

RMB million

Income Statement

For the financial year ended 31 December 2019, Luzhou Bio-Chem generated revenue of RMB 2.0 billion. This was 8.1% lower compared to FY2018, owing to a reduction in the sales volume of our corn refining segment.

FY2019 witnessed a 1.4% increase in the weighted average selling price of the Group's corn refining products. Accounting primarily for this climb was the increase in the prices of corn sweeteners and by-products by 0.5% and 7.2% respectively. Meanwhile, export revenue registered a year-on-year increase of 21.1%, while export revenue as a percentage of total revenue came in higher at 4.5% in FY2019, compared to 3.4% in the previous year.

During the year in review, gross profit stood at RMB 181.3 million, representing a decline of 16.1%. Alongside this, gross profit margins slipped from 9.7% in FY2018 to 8.9% in this financial year, due to higher corn prices which were partially offset by the year-on-year increase in the selling prices of our corn refining segment.

Contributing to the 22.6% fall in the Group's other operating income to RMB 21.5 million in FY2019 was the decrease in gains on sale of consumables and waste materials and the reduction in government grants and subsidies.

Compared to FY2018, selling and distribution expenses were 12.7% lower this year, due to lower transportation costs, staff costs and product packing charges. Administrative expenses decreased by 15.0% in FY2019, which stemmed from the decrease in staff costs, depreciation charges and allowance for doubtful trade receivables. Meanwhile, the Group's other operating expenses increased by RMB 4.5 million to RMB 51.8 million on the back of the increase in impairment loss of property, plant and equipment, the increase in the loss on disposal of plant and equipment and the allowance for slow-moving inventory, which were partially offset by the lower employee compensation for work-related injury. In addition, finance costs recorded a 6.6% reduction, owing to lower interest costs arising from the decrease in bank loans.

Income tax expense expanded by 159.0% in FY2019, due to withholding and payment of last year's income tax incurred by the Shandong and Henan subsidiaries, and the higher net profit generated from our Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets owing to the uncertainty of their future taxable profits. Hence, there is a difference between the effective tax rate in FY2019 and the statutory tax rate.

The Group registered a net loss of RMB 108.4 million in FY2019, which

marked a 19.7% worse than a net loss of RMB 90.5 million in the last financial year. This was chiefly attributable to the decline in gross profit and other operating income and the increase in other operating expenses and income tax expenses which was partially mitigated by lower operating expenses.

Assets and Liabilities

As at 31 December 2019, the Group's current assets came in at RMB 531.4 million. This represented a year-on-year decline of RMB 95.2 million that was chiefly due to lower inventories of RMB 38.3 million, the reduction in cash and cash equivalents of RMB 51.6 million and the decrease in other receivables, deposits and prepayments of RMB 12.6 million, which were partially offset by the rise in trade receivables of RMB 7.2 million.

Meanwhile, trade receivable turnover days climbed from 29 days in the previous financial year to 33 days in FY2019. Additionally, inventory turnover days came in higher at 42 days this year, compared to 39 days in FY2018.

The financial year saw non-current assets moderating by RMB 86.0 million. This was brought on by the depreciation of RMB 61.7 million, the impairment of property, plant and equipment of RMB 44.2 million in our Liaoning subsidiary and Sichuan subsidiary, and the disposal of plant and

equipment of RMB 10.8 million, which was partially mitigated by capital expenditure.

Current liabilities climbed by RMB 103.8 million to RMB 706.0 million at the close of FY2019. This increase stemmed from the rise in short-term interest-bearing loans of RMB 10.0 million, higher interest-free borrowings from a related party of RMB 139.2 million, the rise in amount owing to related parties (including lease liabilities, excluding interest-free borrowing from a related party) of RMB 3.9 million and the expanded income tax payable of RMB 4.3 million, which were mitigated by the lower trade payables of RMB 38.0 million and the reduction in other payables and accruals of RMB 16.4 million.

In addition, the Group's debt equity ratio eased to negative 7.2 times at the close of FY2019, against 159.3 times as at 31 December 2018. Accounting for this was the reduction in total equity resulting from the net loss this year, and the decrease of RMB 25.5 million in total bank loans and other borrowings.

Alongside this, non-current liabilities contracted by RMB 176.7 million this financial year. This was brought on by the reduction in long-term interest-bearing bank loans of RMB 137.4 million, the decrease in interest-free borrowing from a related party of RMB 38.0 million which was reclassified as short-term borrowings, and the lower deferred income of RMB 5.0 million – mainly due to

the amortisation of government grants – which were partially offset by the RMB 3.7 million increase in lease liabilities owing to a related party.

As at 31 December 2019, Group shareholders' equity stood at negative RMB 103.5 million, compared to RMB 4.8 million at the close of FY2018.

Cash Flow

The year in review saw the Group registering net operating cash inflow of RMB 27.2 million, comprising operating profit before changes in working capital of RMB 52.8 million, adjusted for the increase in working capital of RMB 16.9 million and RMB 8.7 million in income taxes paid.

Additionally, net cash used in investing activities stood at RMB 12.5 million. This was attributable to the equipment upgrading expenditure and the purchase of packaging containers for finished products.

Net cash used in financing activities amounted to RMB 66.2 million, in light of the net reduction in total bank loans of RMB 127.4 million and interest expense payments of RMB 40.6 million. Mitigating these cash outflows were the increase in interest-free loans from a related party of RMB 101.2 million.

We believe innovation is not a destination but an ongoing journey. It fuels our ingenuity and accentuates our competitive edge. Our steadfast focus on innovation will be the pillar of strength against the turbulence of uncertain market conditions engulfing the global economy currently.

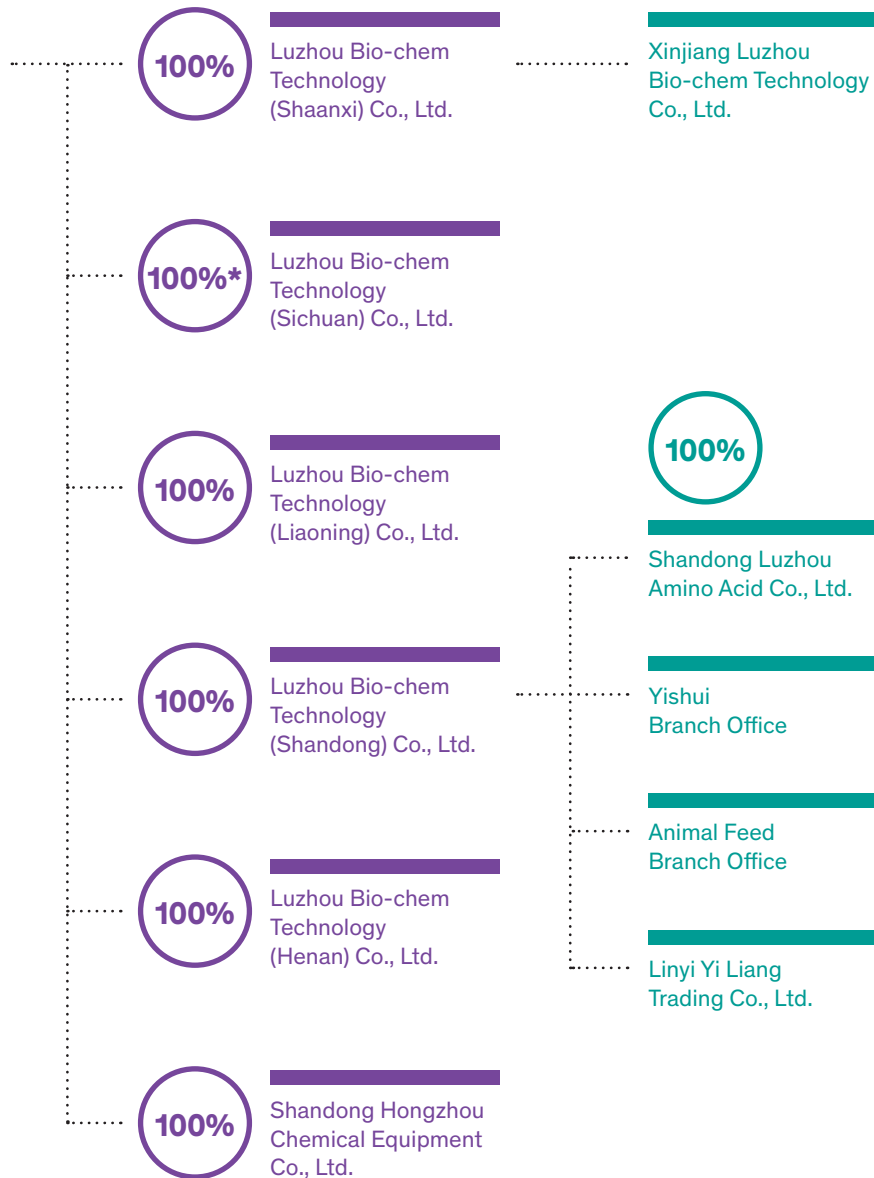
Maintaining the innovative edge



GROUP STRUCTURE



LUZHOU BIO-CHEM TECHNOLOGY LIMITED



* The paid up share capital of Luzhou Bio-chem Technology (Sichuan) Co., Ltd. is RMB 96.0 million, of which the Company holds 37.2% (RMB 35.7 million) and Luzhou Bio-chem Technology (Shandong) Co., Ltd. holds 62.8% (RMB 60.3 million).

SUSTAINABILITY REPORT

Dear Stakeholders,

In FY 2019, Luzhou Bio-Chem Technology Limited (“Luzhou” or “the Group”) demonstrated resilience amidst an uncertain economic environment as it remained committed to long-term value creation. We continued to uphold our dedication to sustainable business practices, in line with our belief that economic growth should go hand-in-hand with environmental and social protection.

Against a challenging backdrop, Group revenue decreased by 8.1% to RMB 2.0 billion and a 16.1% decrease in gross profit to RMB 181.3 million. As a leading corn refiner and one of the largest producers of maltose-related products and other corn sweeteners in China, we strive to ensure stringent standards, foster sustainable development, minimise our environmental footprint and improve the lives of the communities we operate in.

We continually seek to enhance our operational efficiency while lowering energy consumption and emissions. To this end, and as an ongoing effort to grow our business, we invested in an array of initiatives during the year. We sought to enhance the knowledge and capabilities of our people through training, and align

our practices with international and regional certification standards in the areas of quality, safety and environmental protection.

We sustained our commitment to upgrading our plants and equipment to safeguard the environment. During the year, we lowered emissions and managed waste and residue from our plants in sustainable ways, from treating waste gas with odour-removing equipment and gas scrubbers, to channeling waste residue to state-approved external customers for sale, and treating wastewater with the activated sludge method. At the same time, we remain focused on empowering communities through our education and social programmes aimed at school children, the underprivileged and the elderly.

Going forward, we will continue to drive our business with greater social responsibility, to enhance the skill of our staff and to engage our stakeholders in our sustainability journey, while harnessing innovation to enhance production efficiency and foster long-term sustainable value for the Group.

Niu Ji Xing
Executive Chairman and CEO





Student grants

RMB

40,000



Donated to the poor

RMB

362,000



Contribute to The elderly

RMB

217,980

Sustainability Management

Recognising that our long-term success hinges on the welfare of our environment and communities, we embrace sustainability as a guiding principle both on strategic and operational levels. We remain focused on implementing initiatives to turn our commitments into practical reality, so as to foster sustainable development in partnership with our stakeholders.

Training and Education

In driving social sustainability, we maintained our commitment to investing in staff training throughout the financial year. More than just enhancing their knowledge in diverse areas ranging from operations to safety and social responsibility, we strive to help develop our employees' potential to the fullest.

Over the past year, we sent our employees to the following seminars:

- Training on occupational hazards to ensure the safety and well-being of our staff;
- Middle management training aimed at enhancing competencies and fostering innovation;
- New employee training to allow them to understand the company regulations and organisational structure;
- Food hazard training to improve understanding of food hazard prevention measures;
- Food safety training to gain greater knowledge and understanding of food safety;
- Quality control standards training aimed at fulfilling national standards for products;

- Pest control seminar to improve understanding of pest prevention measures;
- Fire rescue and safety management training to equip staff with the know-how to handle emergency situations; and
- Enzyme preparation and isomerase training to gain greater understanding of storage and production processes.

In addition, employees gained accreditation on boiler stoker operations, boiler safety management and boiler water treatment. Staff also picked up certification that armed them with the ability to handle cracking process operations, hydrogenation process operations and hazardous chemical products.

Community Engagement

We value the importance of contributing to the lives of the less fortunate within our community. As part of our efforts to foster social sustainability, we contributed towards the education of children and youth as well as the needs of the underprivileged and elderly. In the area of education, we continued our annual contribution of RMB 40,000 towards student grants in Fourth Senior High School.












To support the needs of the poor, we launched a RMB 362,000 fund to support their healthcare needs. Beyond this, Luzhou demonstrated its commitment towards the needs of the elderly by sustaining its yearly contribution to 山东省临沂市沂水县杨家庄子, amounting to RMB 217,980, or RMB 60 per person per month.

SUSTAINABILITY REPORT

Quality, Food Safety and Environmental Management Certifications

While upholding environmental sustainability, we strive to align our business practices to international and regional standards in the areas of quality, food safety and environmental management. Our efforts in adhering to stringent standards have enabled us to attain various certifications from international quality standards including ISO 9001, ISO 14001, FSSC 22000, OHSAS 18001, HACCP as well as Star-K Kosher and Halal certificates.

The following represents a comprehensive list of the accreditations received by our plants in Shandong, Shaanxi, Liaoning, Henan and Sichuan that are valid as of 31 December 2019.

Category	Certifications
 Food safety management system	<ul style="list-style-type: none"> • Halal certification • Indonesian Ulema Council (MUI) certification – in compliance with HAS 23000 • STAR-K Kosher certification • Safety System Certification (FSSC) 22000 version 4.1 – in compliance with GB/T22000-2006 and ISO 22000:2005 • Non-Genetically Modified Organisms (GMO) certification – in compliance with EC 1829-2003 and EC 1830-2003 • HACCP certification • Quality Assurance Management certificate – in compliance with ISO 9001:2015 and GB/T 19001-2016 • Occupational Health and Safety Management (OHSAS) certificate – in compliance with OHSAS 18001:2007 and GB/T 28001-2011
 Environmental management system	<ul style="list-style-type: none"> • Environmental Management System Certification – in compliance with ISO 14001:2015 and GB/T 14001-2016
 Quality assurance, business management, energy savings and environmental controls	<ul style="list-style-type: none"> • Measurement Management System certificate – in compliance with GB/T 19022-2003 and ISO 10012:2003 • Sichuan brand-name product
 Effective and sound business structure	<ul style="list-style-type: none"> • Good Standardising Practice Certificate – in compliance with GB/T 15496-2003, GB/T 15497-2003, GB/T 15498-2003
 Technical standards	<ul style="list-style-type: none"> • Laboratory Accreditation Certificate – in compliance with ISO/IEC 17025:2005
 Energy saving	<ul style="list-style-type: none"> • Investment in energy saving and recycle programme – received government grant of RMB 5.96 million • 2016 Energy Saving Pioneer Industry Status • Yishui County Energy Saving Outstanding Achievement Award (for technological improvement of corn sweetener processes)
 Reward for exports	<ul style="list-style-type: none"> • Overseas exhibition grant – received government grant of RMB 0.17 million
 Labour relations	<ul style="list-style-type: none"> • 2016 Pioneer Trade Union status
 Product innovation	<ul style="list-style-type: none"> • 2017 “National Agricultural Products Industry investment Trade Fair” Quality Product – awarded RMB 200,000
 Agricultural industrialisation	<ul style="list-style-type: none"> • Henan Leading Enterprise in agricultural industrialisation
 Economic benefits	<ul style="list-style-type: none"> • Xiping County 2016 Top 10 Industrial Enterprises • Corporate tax award – awarded RMB 10,000 • Top 10 Economic and Innovative Enterprise – awarded RMB 200,000

Upgrading Plants and Equipment

At Luzhou, we seek to minimise our environmental impact and champion sustainable practices by continuing to invest in upgrading our facilities. Through a combination of energy-efficient practices, resource conservation, waste management and use of innovative technologies, we strive to enhance our production efficiency while minimising energy consumption and emissions.

During the year, we carried out several upgrading works at our facilities to enable us to fulfil the government's environmental requirements. In the area of wastewater management, Luzhou constructed phosphorous removal facilities aimed at treating the wastewater at the Liaoning and Shandong plant. Aside from this, all the plants employ the activated sludge method to treat wastewater before it is channeled to the sewage treatment plant via the city pipes. In addition, wastewater at all our plants is passed through an odour recycling installation for purification to ensure it fulfils environmental protection standards. Meanwhile, at Henan, we installed an online monitoring system to track the discharge of waste gas in real-time, constructed gas scrubbers to reduce sulphur dioxide emissions, and replaced the open-top rubbish bins with covered ones to prevent insect breeding and odour spread. In our Shandong plant, we invested about RMB 3.0 million to purchase production facilities to reduce emissions of waste gas.

As part of our continuous efforts to comply with environmental protection regulations, in recent years, we invested RMB 4.5 million to install a denitrification and centrifugal agglomeration dust removal system to purify flue gas emissions at the Shaanxi plant and channeled RMB 450,000 towards an ultra-

clean continuous emission monitoring system (CEMS) to accurately monitor flue gas emissions online at the same plant. In addition, we invested RMB 800,000 to construct pulse dust collectors to remove dust from exhaust gas at Shaanxi to fulfil waste gas emissions regulations. Beyond this, we channeled RMB 31,000 towards installing a LED screen at Shaanxi to enable the online monitoring results of boiler flue gas and wastewater to be displayed. At the same time, our RMB 1.0 million investment at Shanxi went towards installing a fully enclosed coal yard, coal conveying equipment and automated vehicle washing equipment to reduce fugitive dust, a PM10 online monitoring system for air pollution tracking, sprinkler facilities and road hardener to reduce dust and fugitive dust prevention facilities, all of which allowed us to better safeguard the environment. On top of this, we formulated contingency plans for heavy pollution days that can be activated for emergency situations. In FY2019, we continued to invest about RMB 550,000 to purchase dust control facilities to improve the working environment and production safety.

Beyond enhancing environmental sustainability, our investments in upgrading our plants and equipment helped us to enhance our production efficiency and improve the quality of products. Through the RMB 2.0 million upgrading of the waste heat evaporator at Liaoning, we not only lowered exhaust gas emissions and steam consumption, but reaped energy savings and reduced gas consumption. We also channeled RMB 1.0 million towards replacing the three-phase separators and water distributors of two anaerobic wastewater treatment towers at the Henan plant, which facilitated stable operations and generated additional income through the sale of the sludge residue. Similarly, the sugar residue, slag and other waste from the

Shandong, Liaoning, Shaanxi and Sichuan plants were sold to customers with state-approved qualifications. Beyond this, our RMB 115,000 investment to replace the two outmoded forklifts with new ones at the Shaanxi plant allowed us to satisfy environmental protection requirements by reducing the exhaust emissions. Aside from reducing production costs, these measures also served to foster greater environmental sustainability.

Looking Ahead

Collectively, our initiatives represent a holistic approach towards ensuring sustainability. Moving forward, we will continue to focus on realising sustainable practices through championing sustainable practices that not only enhance our efficiency, but contribute towards improving the environment and social well-being of the communities we operate in.

BOARD OF DIRECTORS

NIU JI XING

Founder and Executive Chairman
& Group Chief Executive Officer



Niu Ji Xing is our Founder and Executive Chairman & Group Chief Executive Officer. He is responsible for formulating the business strategies and investments of our Group, as well as for its overall management. Mr Niu has many years of experience in the corn refining industry in PRC. Prior to joining our Group, he was the Chairman of the Board of the Shandong Luzhou Food Group of China, which comprises a group of enterprises including Shandong Luzhou, Liaoning Luzhou and Shaanxi Luzhou. He obtained a certificate in Economic Management (经济管理专业) from the Shandong Economic Management Institute (山东经济管理干部学院) in July 1996. He is presently one of the Vice Presidents of the China Food Industry Association (中国食品工业协会), Vice Chairman of the Council of China Food Industry Association (sweeteners) (中国食品工业协会糖果专业委员会理事会) and a member of the National Food Industry Entrepreneurs' Council (全国食品工业企业家委员会).

WANG DE YOU

Executive Director



Wang De You is our Executive Director. He is responsible for Group's production technology, research and development and project investment. Before assuming the current position, he was our Executive Director and Group Chief Executive Officer from 2012 till March 2015. Mr Wang has more than 20 years of experience in the food processing and manufacturing industry and was formerly an assistant general manager at Shandong Luzhou before joining our Group. Mr Wang was a deputy general manager at Shandong Luzhou Food Product Factory from 1999 to 2002, a production manager at Shandong Yishui Luzhou Food Product Factory from 1993 to 1999, a production manager at Shandong Yishui Jixing Confectionery Factory from 1990 to 1993 and an assistant factory manager at Shandong Linqu Dairy Product Factory from 1987 to 1990.

Wang De You obtained a certificate in Food Processing and Manufacturing (发酵工程专业) studies from Shandong University (山东大学) in July 1996, and was accredited as a senior engineer by Light Industry Engineering and Technical Position Advance Accreditation Committee of Shandong Province (山东省轻工工程技术职务高级评审委员会) in April 2010. In 2011, he was conferred the Middle-aged and Young Experts Award by the People's Government of Shandong Province. He was also engaged as a part time lecturer in the Master research programme by China University of Mining and Technology. He is currently the Vice Chairman of China Biotech Fermentation Industry Association, and a member of the Executive Council of China Starch Industry Association.

GAO ZHONG FA

Executive Director



Gao Zhong Fa is our Executive Director. Mr Gao is primarily responsible for overseeing and managing Group matters in relation to the local government. He has more than 20 years of experience in the food industry, particularly in the operations of food product factories. Prior to joining our Group, he had joined Shandong Luzhou in May 2002 as the general manager and was also previously a general manager at Shandong Luzhou Food Product Pte. Ltd. from 2001 to 2002. From 1993 to 2000, he was factory operations manager at Shandong Yishui Luzhou Food Product Pte. Ltd. and prior to that, the factory operations manager at Shandong Yishui Jixing Confectionery Factory from 1988 to 1993, and the operations manager at Shandong Shouguang Gaojia Food Product Pte. Ltd. from 1985 to 1988.

Gao Zhong Fa obtained a certificate in Economic Management (经济管理专业) studies from the Shandong Economic Management Institute (山东经济管理干部学院) in July 1996. He is also a Representative of Municipal People's Congress of the Linyi city in Shandong province and is recognized as a contributor to the National Food Product Advanced Management of Science and Technology (全国食品工业技术先进技术管理工作).

BOARD OF DIRECTORS

TEOH TEIK KEE

Lead Independent Director



Teoh Teik Kee is our Lead Independent Director and is a Chartered Accountant by training, and has worked with KPMG Peat Marwick McLintock in London and PricewaterhouseCoopers in Singapore. From November 2004 to 2010, he was the Executive Director of ecoWise Holdings Limited. He also has extensive experience in investment banking and stock broking when he was with the DBS Group from 1993 to 2001.

Mr Teoh graduated from Aston University, Birmingham, United Kingdom with a Bachelor of Science (Honours) degree in Managerial and Administrative Studies, and is a member of The Institute of Chartered Accountants in England and Wales. He also has a Diploma in Corporate Treasury Management awarded by the Association of Corporate Treasurers in the United Kingdom.

KONG XIANG CHAO

Independent Director



Kong Xiang Chao is our Independent Director. He was an accountant in Jiangsu Province Xuzhou City Commerce Bureau from 1964 to 1970, the Technical Director and subsequently the factory head of Jiangsu Province Xuzhou City Commercial Mechanical Factory from 1970 to 1991, the general manager of the Jiangsu Province Xuzhou City Blackcat Foodstuff Group from 1991 to 1998 and a researcher in Jiangsu Province Wantong Production Group from 1998, before he retired in 2004.

Kong Xiang Chao has a professional mechanical production certificate (机械制造工艺与设备专业) from the Jiangsu Mechanical Studies College (江苏省机械职工大学), which he obtained in 1984. He received an engineering qualification (工程师) from the Xuzhou Engineering Series Intermediate Post Accreditation Committee (徐州市工程系列中级职称评审委员会) in 1988, and a professional senior economist certificate (高级经济师) from the Jiangsu Senior Economist Board Accreditation Committee (江苏省经济专业高级职称评审委员会) in 1994. Kong Xiang Chao was appointed Deputy Secretary-General of the Candy Committee of the China Food Industry Association (中国食品工业协会) in 2000.

ONG WEI JIN

Independent Director



Ong Wei Jin is our Independent Director, and is presently practising as a lawyer in Singapore. His main areas of practice are corporate finance and general corporate law. He obtained a Bachelor of Law (Honours) from the National University of Singapore, a MBA (Investment and Banking) from the University of Hull and a Masters of Law from the National University of Singapore.

He is currently an independent director of China XLX Fertiliser Ltd.

SENIOR MANAGEMENT

ZHANG KE

Group Deputy General Manager

Zhang Ke is our Group Deputy General Manager, and is primarily responsible for the planning of business process system, and the management of internet and information technology functions of our Group. He started his career with Shandong Luzhou in April 1997 as a sales supervisor and became a sales manager in 1999. From 2000 to 2004, he was the Deputy General Manager of Shandong Luzhou, before being promoted to General Manager of Hunan Taoyuan. In 2005, he was appointed the General Manager of Shaanxi Luzhou. Before assuming the current position, he was the General Manager of our Group's Animal Feed Branch Office.

He graduated with a degree in economics from Shandong Economic College in 1996.

KOH PEE KEAT

Chief Financial Officer

Koh Pee Keat is our Chief Financial Officer responsible for the accounting, financial reporting and other financial functions of the Group. He has over 17 years of banking experience in DBS Bank in the area of trade finance, international banking, individual banking and enterprise banking. He has worked in DBS New York Agency for about four years in management position. He was the senior vice president of Bexcom Pte Ltd, Singapore, an e-commerce software provider, overseeing its operation, finance and legal matters. Prior to joining our Group, he was the senior vice president/Chief Financial Officer of the Westcomb Financial Group Limited. Mr Koh holds a Bachelor of Arts (Honours) degree with major in Accounting and Financial Management from the University of Sheffield.

NIU JI CHAO

General Manager

Niu Ji Chao is the General Manager of our Luzhou bio-chem technology (Shandong) Co. Ltd.(the “Shandong Luzhou”) responsible for the overall management of Shandong Luzhou’s business and operations. Niu Ji Chao has been involved in engineering works since 1998 as an assistant chief engineer at Shandong Luzhou Food Product Pte Ltd. He was later appointed the chief engineer and production and technical centre manager at Shandong Luzhou from 2002 to 2003. Prior to joining our Group in 2005, he had been the deputy general manager and chief engineer of Shandong Luzhou from February 2003. Before assuming the current position, he was the Goup’s Chief Engineer and then the General Manager of our Production Department.

Prior to 1998, Mr Niu was working as a supervisor of the starch department at Shandong Yishui Luzhou Food Product Factory and an assistant production head of the factory at Liaoning Luzhou. He started his career in Shandong Yishui Luzhou Food Product Factory in September 1993. In July 1996, he obtained his certificate in Food Processing and Manufacturing from Shandong University.

ZHAO YU DONG

General Manager

Zhao Yu Dong is the General Manager of our Luzhou bio-chem technology (Shaanxi) Co. Ltd.(the “Shaanxi Luzhou”) responsible for the overall management of Shaanxi Luzhou’s business and operations. He started his career with Shandong Luzhou in 1998 as a sales supervisor of the Tianjin sales office, responsible for the sales and marketing management. He was Promoted to General manager of our Shaanxi Luzhou in May 2000. He was transferred to our headquarter as the deputy general manager of the Group and the general manager of the sales and marketing. In September 2014, he was reassigned as the General Manager of our Shaanxi Luzhou.

During his term of office, he has been awarded various honorary titles, such as “Youth pace-setter” of Linyi city, “top 100 management advanced individual” of the national food industry, “outstanding entrepreneur” in national food safety management, “top 10 outstanding young people” of Xianyang city, and “management advanced individual” by China Biotech Fermentation Industry Association. He was appointed as a Representative of Municipal People’s Congress of the Xianyang city in Shaanxi province.

ZHAO YU BIN

Manager, R&D

Zhao Yu Bin is the Manager of Luzhou R&D Centre, primarily responsible for the research and development of new products, new technique and new process. He joined Shandong Luzhou Food Group Co. Ltd. in 1997 as the manager of quality control department until 2003. He was promoted and transferred to be the manager of the Luzhou R&D Centre.

Mr Zhao graduated from Shandong Polytechnic University (山东轻工业学院) in July 1990, specialising in fermentation engineering. He is also certified as a Senior Engineer.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Niu Ji Xing

Executive Chairman and
Chief Executive Officer

Wang De You

Executive Director

Gao Zhong Fa

Executive Director

Teoh Teik Kee

Lead Independent Director

Kong Xiang Chao

Independent Director

Ong Wei Jin

Independent Director

AUDIT COMMITTEE

Teoh Teik Kee

Chairman

Kong Xiang Chao

Ong Wei Jin

REMUNERATION COMMITTEE

Teoh Teik Kee

Chairman

Kong Xiang Chao

Ong Wei Jin

NOMINATING COMMITTEE

Ong Wei Jin

Chairman

Niu Ji Xing

Teoh Teik Kee

COMPANY SECRETARY

Vincent Lim Bock Hui, LLB (Hons)

REGISTERED OFFICE

18 Cross Street
#07-11 Cross Street Exchange
Singapore 048423

SINGAPORE OFFICE

8 Burn Road
#07-09
Trivex
Singapore 369977
Tel: (65) 6225 0148
Fax: (65) 6225 1147

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 18 Luzhou Road Yishui
Shandong Province 276400
People's Republic of China

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

RHT Corporate Advisory Pte. Ltd.

9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

AUDITORS

Mazars LLP

135 Cecil Street #10-01
MYP Plaza
Singapore 069536
Partner in charge: Mr Tan Chee Tyan
(Appointed with effect from financial
year 2015)

PRINCIPAL BANKERS

China Construction Bank Corporation
Agricultural Development Bank of China
Agricultural Bank of China
Bank of China
Industrial and Commercial Bank of China
Rural Credit Cooperative of China

INVESTOR RELATIONS CONTACT

John Koh

Email: johnkoh@luzhou.sg

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Luzhou Bio-chem Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) recognises the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company by adherence to the guidelines of the Code of Corporate Governance dated 6 August 2018 (the “**Code**”).

This report sets out the corporate governance practices adopted by the Company with specific reference to the principles of the Code, as well as any deviation from any provision of the Code together with an explanation for such deviation.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board comprises six directors, which include three executive directors and three independent directors, all of whom are from different disciplines and bring with them diversity of experience which will enable them to contribute effectively to the Company.

In addition to its statutory responsibilities, the principal functions of the Board include:

- providing leadership, setting strategic objectives, including value creation, innovation and sustainability, and ensuring that the requisite financial and manpower resources are available for the Group to meet its objectives;
- reviewing and overseeing the management of the Group’s business affairs and financial controls, performance and resource allocation;
- approving matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations;
- establishing and managing a framework of prudent and effective controls to monitor and manage risks and safeguard shareholders’ interests and the Group’s assets;
- reviewing the Management’s performance;
- setting the Group’s corporate culture, values and standards; and
- approving the release of the Group’s periodic and full-year financial results and related party transactions of a material nature.

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company. Any director facing a conflict of interests will recuse himself from discussions and decisions involving the issue of conflict.

The Board has established three Board committees, namely, the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) to assist in the execution of its responsibilities. These committees operate within clearly defined terms of reference.

CORPORATE GOVERNANCE REPORT

The Board meets on a regular basis and ad-hoc Board meetings are convened as and when circumstances require. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing. The Company's Articles of Association provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

The number of meetings held and attendance at the meetings during FY2019 are as follows:

Name of director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Niu Ji Xing	4	4	-	-	-	-	1	1
Wang De You	4	4	-	-	-	-	-	-
Gao Zhong Fa	4	4	-	-	-	-	-	-
Kong Xiang Chao	4	4	4	4	1	1	-	-
Teoh Teik Kee	4	4	4	4	1	1	1	1
Ong Wei Jin	4	4	4	4	1	1	1	1

Directors with multiple board representations will ensure that sufficient time and attention are given to the affairs of the Group.

The Company recognises the importance of the flow of information for the Board to discharge its duties effectively. All directors are furnished with the management accounts of the Group and regular updates on the financial position of the Company. Upon request, the Management will provide any additional information needed for the directors to make informed decisions. The Board has separate and independent access to the Company Secretary and the Management at all times. The Company Secretary facilitates information flow within the Board and its committees. The Company Secretary attends all Board meetings and meetings of the Board committees and ensures that the Company complies with the requirements of the Companies Act and the SGX-ST Listing Manual. The minutes of all Board and Board committees' meetings are circulated to the Board. The appointment and removal of the Company Secretary is determined by the Board as a whole.

The Board will have independent access to professional advice when required, subject to the approval of the Chairman. The fees for professional advice will be borne by the Company.

All directors are given the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. Newly appointed directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. All directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars is arranged and funded by the Company. The external auditors update the directors on the new or revised financial reporting standards on an annual basis.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this report, the Board comprises the following directors:

Executive Directors

Niu Ji Xing	Executive Chairman and Chief Executive Officer
Wang De You	Executive Director
Gao Zhong Fa	Executive Director

Non-Executive Directors

Teoh Teik Kee	Lead Independent Director
Kong Xiang Chao	Independent Director
Ong Wei Jin	Independent Director

The independent directors make up half of the Board as the Chairman is part of the management team and not an independent director. As there is a strong independent element on the Board, the Board is of the view that it is not necessary or cost-effective to have non-executive directors make up a majority of the Board.

The Board has adopted the Code's criteria of an independent director in its review. An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment in the best interests of the company. In addition, in accordance with Rule 210(5)(d) of the SGX Listing Manual, a director will not be independent if he is employed by the Group for the current or any of the past three financial years or if he has an immediate family member who is employed or has been employed by the Group for the past three financial years and whose remuneration is determined by the RC.

The independence of each independent director is reviewed annually by the NC and the Board. Each independent director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. Particular attention is given to review and assess the independence of any director who has served beyond nine years from the date of his first appointment as at the end of FY2019, taking into account the need for progressive refreshing of the Board. The independent directors, Mr Kong Xiang Chao, Mr Teoh Teik Kee and Mr Ong Wei Jin, have each served the Board beyond nine years and they were subject to rigorous review by the Board. The Board has considered the performance of the independent directors and noted that they had participated, deliberated and expressed their views independently at all times, presented objective and constructive challenges to the assumptions and viewpoints of the Management and the Board has benefited from valuable insight from their presence. The Board has also considered that there is no need for progressive refreshing of the Board currently. The Board considers that each of the independent directors concerned brings invaluable expertise, experience and knowledge to the Board. They are familiar with the business of the Group and will continue to contribute positively to the deliberation of the Board and Board Committees. The Board has determined that the independence of character and judgement of each of the independent directors was not in any way affected or impaired by their length of service and is satisfied that they can continue to discharge their duties objectively.

The Board has examined its size and is of the view that it is appropriate for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business.

CORPORATE GOVERNANCE REPORT

The Board reviews its composition from time to time and seeks to maintain a diversity of expertise, skills, gender, age and other attributes among the Directors. The current composition of the Board and the Board committees includes a diverse breadth of industry expertise, knowledge and experience. In particular, the independent directors bring with them knowledge and experience in areas such as finance, audit and accounting, legal and regulatory compliance, and relevant industry expertise in China. This enables the Management to benefit from the external and expert perspectives of the directors who collectively possess the core competencies relevant to the direction and growth of the Group.

The Board is of the view that gender is one aspect of diversity and will ensure that female candidates will be considered when there is a need to appoint new members to the Board.

The independent directors communicate regularly to discuss matters related to the Group, including the Group's financial performance, corporate governance initiatives, and the performance of the Management. They also provide constructive input in developing the Group's business strategies. Led by the lead independent director, the independent directors meet without the presence of the Management, whenever deemed necessary, and at least once a year. Where appropriate, the lead independent director provides feedback to the Chairman after such meetings.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Niu Ji Xing is the Executive Chairman and Chief Executive Officer (“CEO”) of the Company and bears executive responsibility for the Group's business performance and promoting high standards of corporate governance. He is also responsible for scheduling meetings to be conducted as and when required, setting the agenda for the Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders.

The positions of Chairman and CEO are not held by separate individuals as the Board is of the view that with the current executive management team and the establishment of the three Board committees, there are adequate safeguards in place to ensure unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

In view that the Executive Chairman is not an independent director and is part of the executive management team, Mr Teoh Teik Kee had been appointed as the lead independent director and he is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Executive Chairman and CEO or Management are inappropriate or inadequate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following members:

Ong Wei Jin (Chairman)
Teoh Teik Kee
Niu Ji Xing

Mr Ong Wei Jin is an independent director and Mr Teoh Teik Kee is the lead independent director. Mr Niu Ji Xing is the Executive Chairman and CEO.

CORPORATE GOVERNANCE REPORT

The terms of reference of the NC have been approved and adopted. The duties and powers of the NC include:

- making recommendations to the Board on relevant matters relating to the review of board succession plans for directors, in particular, the Chairman and for the CEO, and key management personnel, the development of a process for evaluation of the performance of the Board, the Board committees and directors, and the review of training and professional development programmes for the Board and its directors;
- making recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable), taking into consideration the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (such as attendance, preparedness, participation and candour);
- ensuring that all directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years;
- determining annually, and as and when circumstances require, whether a director (including an alternate director) is independent, bearing in mind Provision 2.1 of the Code and any other salient factors;
- deciding if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments; and
- assessing the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual director to the effectiveness of the Board.

All directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Article 107 of the Company's Articles of Association requires one-third of the directors to retire and submit themselves for re-election by shareholders at each annual general meeting ("AGM"). In addition, Article 117 of the Company's Articles of Association provides that a director appointed by the Board must retire and submit himself for re-election at the next AGM following his appointment.

The dates of initial appointment and last re-election of each director, together with their directorships in other listed companies are set out below:

Name of director	Appointment	Date of initial appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies (in the last three years)
Niu Ji Xing	Executive Chairman and CEO	17 November 2004	28 April 2017	None	None
Gao Zhong Fa	Executive Director	13 May 2005	26 April 2019	None	None
Wang De You	Executive Director	13 May 2005	26 April 2018	None	None
Kong Xiang Chao	Independent Director	13 May 2005	26 April 2019	None	None
Teoh Teik Kee	Lead Independent Director	13 May 2005	28 April 2017	None	Hwang Capital (Malaysia) Berhad
Ong Wei Jin	Independent director	13 May 2005	26 April 2018	China XLX Fertiliser Ltd	Camsing Healthcare Limited CFM Holdings Ltd

According to Article 107 of the Company's Articles of Association, Mr Niu Ji Xing and Mr Teoh Teik Kee will retire at the Company's forthcoming AGM and will be eligible for re-election.

CORPORATE GOVERNANCE REPORT

When a director has multiple board representations or commitments, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention has been given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations or commitments. As none of the directors hold more than two directorships in listed companies concurrently, the Board is of the view that there is no necessity at this point in time to determine the maximum number of listed company board representations which a director may hold. No alternate directors have been appointed on the Board.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as director. The NC ensures that newly appointed directors are aware of their duties and obligations.

The profiles, principle commitments and key information on the individual directors and their shareholdings in the Company are set out in the "Board of Directors" and "Statement by Directors" sections of this Annual Report. None of the directors hold shares directly in the subsidiaries of the Company.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board's performance is reflected in the overall performance of the Group. The Board ensures that the Company is in compliance with applicable laws and the Board members act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and the contribution by the Chairman and each individual director to the effectiveness of the Board. Given the size of the Board, the NC is of the view that there is no necessity to separately assess the effectiveness of each Board committee. The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The performance criteria include factors such as risk management and internal control, and financial performance indicators as well as share price performance. Individual assessment criteria include commitment of time for meetings and any other duties.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC comprises the following members:

Teoh Teik Kee (Chairman)
Ong Wei Jin
Kong Xiang Chao

Mr Teoh Teik Kee, Mr Ong Wei Jin and Mr Kong Xiang Chao are non-executive independent directors.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include:

- reviewing and recommending for endorsement by the entire Board a general framework of remuneration for the directors and key management personnel;
- reviewing and recommending for endorsement by the entire Board the specific remuneration packages for each director as well as for the key management personnel, covering all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;
- reviewing and recommending to the Board the terms of renewal of the service contracts of executive directors; and
- reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's service contracts, to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous.

The RC's recommendations are submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration. The RC has access to appropriate external expert advice in the field of executive compensation where required.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies. The remuneration package also takes into account the Company's relative performance and the performance of individual directors and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the executive directors and key management personnel with those of shareholders and link rewards to corporate and individual performance. The Company also ensures that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The non-executive independent directors are paid directors' fees, taking into account factors such as effort and time spent, and responsibilities of the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration packages of the executive directors include a basic salary. The executive directors (save for the Executive Chairman and CEO) are not entitled to receive any profit-sharing performance bonus.

The Company has entered into service agreements with the executive directors. The service agreements are for an initial period of three years and are automatically renewed thereafter on a year-to-year basis on such terms and conditions as the parties may agree. The service agreements provide for termination by either party giving not less than six months' notice in writing.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The following shows the level and mix of remuneration paid or payable for FY2019 to each director and key management personnel (who is not also a director):

Remuneration bands	Base salary ⁽¹⁾ %	Variable or performance-related bonus %	Directors' fees ⁽²⁾ %	Other benefits %	Total %
Directors					
<i>Above S\$250,000 and up to S\$500,000</i>					
Niu Ji Xing	100	-	-	-	100
<i>Up to S\$250,000</i>					
Gao Zhong Fa	100	-	-	-	100
Wang De You	100	-	-	-	100
Kong Xiang Chao	-	-	100	-	100
Teoh Teik Kee	-	-	100	-	100
Ong Wei Jin	-	-	100	-	100
Key Management Personnel					
<i>Up to S\$250,000</i>					
Zhang Ke	100	-	-	-	100
Zhao Yu Dong	100	-	-	-	100
Niu Ji Chao	100	-	-	-	100
Zhao Yu Bin	100	-	-	-	100
Koh Pee Keat	92.6	7.4	-	-	100

Notes:

- (1) Salary is inclusive of salary, allowances, Central Provident Fund contributions and pension funds.
(2) Directors' fees are subject to the approval of the shareholders at the forthcoming AGM.

The aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO) of the Group in FY2019 amounted to S\$328,786.

The Board is of the view that full disclosure of the specific remuneration of each individual director is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

No employee who is a substantial shareholder of the Company or an immediate family member of a director, the CEO or a substantial shareholder of the Company was paid more than S\$100,000 during FY2019.

The Company currently does not have any employee share schemes.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The internal auditor conducts periodic reviews of the effectiveness of the Group's key internal controls on a rotating basis. The external auditor conducts reviews of the internal accounting controls that are relevant to the statutory audit. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are monitored.

The Board has received assurance from the CEO and the Group Finance Manager (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (b) regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2019.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises the following members:

Teoh Teik Kee (Chairman)
Kong Xiang Chao
Ong Wei Jin

Mr Teoh Teik Kee, Mr Kong Xiang Chao and Mr Ong Wei Jin are non-executive independent directors.

CORPORATE GOVERNANCE REPORT

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities and they have the requisite recent and relevant accounting or related financial management expertise or experience. The AC assists the Board to maintain a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems. No member of the AC is a former partner or director of or has any financial interest in the Company's existing external auditors.

The terms of reference of the AC have been approved and adopted. The roles and functions of the AC include:

- reviewing the audit plan of the internal auditors, including the results of the internal auditors' review and evaluation of the Group's system of internal controls;
- reviewing the audit plan of the external auditors and the result of the external auditors' review and evaluation of the Group's system of internal accounting controls that are relevant to the statutory audit;
- reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with relevant financial reporting standards, concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;
- reviewing the periodic consolidated financial statements and any announcements relating to the Group's financial performance and the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and announcements;
- reviewing and discussing with the external and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- reviewing the co-operation given by the Management to the external auditors;
- reviewing the independence of the external auditors annually;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually;
- reviewing and approving interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- reviewing the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriate follow-up action to be taken; and
- reviewing the assurance from the CEO and the Group Finance Manager on the financial records and financial statements.

The AC has the authority to investigate any matter within its terms of reference and full access to and cooperation of the Management. The AC has full discretion to invite any director or key management personnel to attend its meetings, as well as access to reasonable resources to enable it to discharge its functions properly.

The AC meets with the external auditors and with the internal auditors without the presence of the Management at least annually.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences.

For FY2019, the fees paid by the Company to the external auditors for audit services and non-audit services amounted to RMB1,171,778 and RMB17,955, respectively. The AC has reviewed all non-audit services provided by the external auditors and is of the opinion that these non-audit services would not affect the independence and objectivity of the external auditors. The AC has recommended to the Board the re-appointment of Mazars LLP Singapore as the external auditors of the Group at the forthcoming AGM.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. Contact details of the AC have been made available to all employees.

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Group's assets. An in-house internal audit team, comprising persons with the relevant qualifications and experience, has been formed to perform the internal audit function. The internal audit team reports primarily to the AC Chairman. The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The internal audit function has unfettered access to the Group's documents, records, properties and personnel, including the AC. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is satisfied that the Group's internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET and on the Company's website. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all shareholders and via the Company's website. The Company encourages shareholders' participation during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

CORPORATE GOVERNANCE REPORT

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications. The Company puts all resolutions to vote by poll and announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the AGM. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

All directors endeavour to attend the general meetings of shareholders, and the external auditors will also be present to assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report. Mr Niu Ji Xing, Mr Teoh Teik Kee and Mr Ong Wei Jin were present at the AGM held on 26 April 2019 during FY2019.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company supports the Code's principle to encourage communication with and participation by shareholders. Shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation. The Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. A shareholder who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

Shareholders are given the opportunity to pose questions to the Board or the Management at the AGM. The members of the AC, NC and RC will be present at the AGM to answer questions relating to matters overseen by the respective committees. The external auditors will also be present to assist the directors in addressing any queries posed by the shareholders.

The Company has a Singapore office to facilitate open communication with shareholders. The Company's periodic and full year results announcements, analyst briefings and press releases are issued via SGXNET, the Company's website (www.luzhou.sg) and the investors' website (www.shareinvestor.com). Shareholders have access to information on the Group via the Company's website. The Company discloses all material information on a timely basis to all shareholders. Shareholders are provided with an update on the Group's performance, position and prospects through the Company's annual report.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include customers, employees, suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Company maintains a corporate website at www.luzhou.sg to communicate and engage with stakeholders.

RISK MANAGEMENT

Pursuant to the SGX-ST Listing Manual Rule 1207(4)(b)(iv), the Group is continually reviewing and improving its business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources and updating work flows, processes and procedures to meet the current and future market conditions. The Group has also considered the various financial risks and management, details of which can be found in the Annual Report.

DEALING IN SECURITIES

The Group has adopted and implemented policies in line with the SGX-ST's best practices in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

The Group has procedures in place prohibiting directors and officers from dealing in the Company's shares during the one month before the announcement of the Company's financial statements for the first half of its financial year and the full financial year ("**Prohibited Periods**"), or if they are in possession of unpublished material price-sensitive information of the Group.

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the SGX-ST Listing Manual for interested person transactions.

All interested person transactions will be properly documented and submitted to the AC for periodic review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

In addition, any interested person transaction of value equal to or more than 3% of the Group's latest audited net tangible assets will be approved by the AC prior to entry into such transaction. In the event that a member of the AC is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual as laid down in Chapter 9, and accounting standards are complied with.

The aggregate values of the interested person transactions between the Company or its subsidiaries and any of its interested persons during FY2019, are as follows:

Name of interested person and nature of transaction	Aggregate value of all transactions during FY2019 (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	RMB'000	RMB'000
Rental expenses paid to Shaanxi Xingping Luzhou Sugar Products Co., Ltd	2,100	-
Interest at 1.88% per annum payable for loan of S\$2.0 million granted by Niu Ji Xing	77	-
Rental expenses paid to Fushun Luzhou Amylum Sugar Products Co., Ltd.	250	-

Material Contracts and Loans

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that except as disclosed in the Directors' Statement and Financial Statements and under "Interested Person Transactions" above, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either still subsisting at the end of FY2019 or if not then subsisting, which were entered into since the end of FY2018.

FINANCIAL CONTENTS



40

Directors' Statement

44

Independent Auditors' Report

50

Consolidated Statement of
Profit or Loss and
Other Comprehensive Income

51

Statements of Financial Position

52

Statements of Changes in Equity

53

Consolidated Statement
of Cash Flows

55

Notes to the
Financial Statements

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Luzhou Bio-Chem Technology Limited (“the Company”, and together with its subsidiaries, “the Group”) for the financial year ended 31 December 2019 and the statement of financial position and changes in equity of the Company as at 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Executive directors

Niu Ji Xing
Gao Zhong Fa
Wang De You

Independent non-executive directors

Kong Xiang Chao
Teoh Teik Kee
Ong Wei Jin

3. Arrangement to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' Interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company holding office at the end of the financial year had interests in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director	Direct interest		Deemed interest	
	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
LUZHOU BIO-CHEM TECHNOLOGY LIMITED				
(No. of ordinary shares)				
Niu Ji Xing	7,820,700 ⁽²⁾	7,820,700 ⁽²⁾	236,925,000 ⁽¹⁾	236,925,000 ⁽¹⁾
Gao Zhong Fa	22,800,000	22,800,000	-	-
Wang De You	15,150,000	15,150,000	-	-
Teoh Teik Kee	187,500	187,500	-	-
Ong Wei Jin	125,000	125,000	-	-

⁽¹⁾ These shares are held by Faith Corporate International Limited, a company incorporated in the British Virgin Islands, whose sole director and shareholder is the Executive Chairman, Niu Ji Xing. These shares are registered in the name of Citibank Nominees Singapore Private Limited.

⁽²⁾ The shares of Niu Ji Xing are registered in the name of Citibank Nominees Singapore Private Limited.

By virtue of Section 7 of the Act, Niu Ji Xing is deemed to have interests in all the subsidiaries of Luzhou Bio-chem Technology Limited, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in the above-mentioned interests in the Company between the end of the financial year and at 21 January 2020.

5. Share options

There were no options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

DIRECTORS' STATEMENT

6. Audit Committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this report, they are:

Teoh Teik Kee (Chairman)
Ong Wei Jin
Kong Xiang Chao

The Audit Committee has convened four meetings during the year with key management and the internal and external auditors of the Company.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing those functions, the Audit Committee:

- (i) reviewed the audit plan and results of the external audit, the independence and objectivity of the external auditors, including, where applicable, the review of the nature and extent of non-audit services provided by the external auditors to the Group;
- (ii) reviewed the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
- (iii) reviewed the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
- (iv) reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
- (v) reviewed and assessed the adequacy of the Group's risk management processes;
- (vi) reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (vii) reviewed interested person transactions in accordance with SGX listing rules;
- (viii) reviewed nomination of external auditors and gave approval of their compensation; and
- (ix) submitted of report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

7. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

Niu Ji Xing
Director

Wang De You
Director

Singapore
17 July 2020

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Luzhou Bio-chem Technology Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of Audit

For the audit of the current financial year's financial statements, we identified 3 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

These significant components were audited by other Mazars offices as component auditors under our instructions. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of Focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
<p>Impairment assessment of property, plant and equipment (“PPE”) (refer to Note 11 (i) to the financial statements)</p> <p>As at 31 December 2019, the carrying value of PPE held by the Group was RMB 461.241 million, net of cumulative impairment losses of RMB 194.363 million.</p> <p>The Group continued to operate under challenging conditions in the People’s Republic of China during 2019, resulting in cash generating units (“CGU”) in certain regions incurring consecutive losses. These conditions may have an adverse impact on the recoverable amount of the affected PPE.</p> <p>Management assessed as of 31 December 2019 for any significant changes in the recoverable amount of the PPE which will result in further impairment losses to be made or reversal of impairment losses for the financial year then ended.</p> <p>We focused on this area because the determination of the recoverable amount of the PPE involved significant judgement and estimates by the directors who considered the reasonableness of the following, where applicable, during their assessment:</p> <ul style="list-style-type: none"> • Projections of cash flows used in calculating the value-in-use; • Discount rate and the growth rate used in calculating the value-in-use of the CGU to which the PPE belong; and • Estimation of future fair value of PPE and estimated cost of disposal. 	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • With the assistance of our in-house expert, we assessed the reasonableness of the key inputs and assumptions applied by management in their cashflow projections, with reference to information such as historical and expected trend and performance, the latest budgets/forecasts approved by management and the current economic conditions and the outlook thereof; • Challenged the key assumptions used by management in the calculation of the value-in-use of CGU, which included the discount rate, with reference to the weighted average cost of capital obtained from independent sources and other inputs; and the growth rate; • Collaborated the estimated fair value by comparing the estimated selling price to, where applicable, recently transacted price and/or comparable price in similar situation; and • Assessed the adequacy and appropriateness of the corresponding disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Key Audit Matters (Cont'd)

Matter	Audit response
<p>Loss allowance for trade receivables (refer to Note 15 and Note 31 to the financial statements)</p> <p>As at 31 December 2019, the carrying amount of the Group's trade receivables, net at loss allowance of expected credit loss ("ECL") of RMB 13.784 million, amounted to RMB 187.298 million.</p> <p>The Group adopted SFRS (I) 9 <i>Financial Instruments</i> which introduces a forward-looking, expected credit losses ("ECL") impairment model by taking into account reasonable and supportable forward-looking information, which will generally result in the earlier recognition of impairment provisions. This requires a number of significant judgments from management.</p> <p>The Group used an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last five years prior to the reporting date for various customer groups that are assessed through the age analysis, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables.</p> <p>The Group utilised the "simplified approach" to measure the ECL of trade receivables. Trade receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of and assessed the relevance and appropriateness of the key controls and processes put in place by management to assess trade receivables for impairment losses; • Assessed reasonableness of management's expected credit losses in consideration of the ratio of historical actual credit losses against trade receivables for the past five financial years and management's assumptions on forward looking factors affecting the recoverability of the trade receivables; • Reviewed the nature of the ongoing business relationships and latest correspondences with the customers on the status of the outstanding receivables; • Reviewed the ageing analysis and checked to the subsequent receipts from the significant debtors; and • Assessed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Key Audit Matters (Cont'd)

Matter	Audit response
<p>Cash and bank balances (refer to Note 17 to the financial statements)</p> <p>Cash at bank was highlighted as one of the key risk areas in the Audit Practice Bulletin No. 1 of 2009 <i>Audit considerations in the current economic environment</i> issued by the ACRA in 2009 when there was a downturn in the economic environment.</p> <p>We focused on this area in consideration of the continued volatility in the current economic environment and the significance of the cash and bank balances recorded by the Group as of 31 December 2019.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Performed all bank confirmations for bank balances (including in-person visits to banks in and via courier service in the People's Republic of China ("PRC")); • Tested interbank transfers against underlying supporting documentation on a sample basis; • Reviewed the year end bank reconciliations and tested the accuracy of the closing bank balances; and • Physically counted the cash on hand balances.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

MAZARS LLP

Public Accountants and
Chartered Accountants

Singapore
17 July 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	4	2,042,154	2,222,810
Cost of sales		(1,860,856)	(2,006,807)
Gross profit		181,298	216,003
<i>Other item of income</i>			
Other operating income	5	21,468	27,754
<i>Other items of expenses</i>			
Selling and distribution expenses		(108,492)	(124,247)
Administrative expenses		(96,605)	(113,632)
Other operating expenses		(51,833)	(47,325)
Finance expenses	6	(41,121)	(44,022)
Loss before taxation	7	(95,285)	(85,469)
Income tax expense	9	(13,067)	(5,045)
Loss for the financial year, representing total comprehensive loss for the financial year		(108,352)	(90,514)
Attributable to:			
Owners of the Company		(108,352)	(90,514)
Loss per share attributable to the owners of the Company (RMB cents per share):			
Basic and diluted	10	(18.2)	(15.2)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets					
Property, plant and equipment	11 (i)	461,241	546,180	7	9
Land use rights	11 (ii)	41,536	42,606	-	-
Other investments	12	2,060	2,060	-	-
Investments in subsidiaries	13	-	-	321,044	321,044
		504,837	590,846	321,051	321,053
Current assets					
Inventories	14	196,766	234,981	-	-
Trade receivables	15	187,298	180,132	-	-
Other receivables, deposits and prepayments	16	35,202	47,843	19,035	48
Cash and bank balances	17	112,172	163,722	166	1,152
		531,438	626,678	19,201	1,200
Total assets		1,036,275	1,217,524	340,252	322,253
Equity attributable to owners of the Company					
Share capital	18	308,723	308,723	308,723	308,723
Statutory reserve	19	91,380	91,380	-	-
Accumulated (losses)/profits		(503,621)	(395,269)	10,431	(4,652)
(Net capital deficiency)/Total equity		(103,518)	4,834	319,154	304,071
Non-current liabilities					
Interest-bearing liabilities	21	402,000	539,390	-	-
Amount owing to a related party	20	-	38,000	-	-
Deferred income	22	27,514	32,518	-	-
Deferred taxation	23	589	589	-	-
Lease liabilities	24	3,660	-	-	-
		433,763	610,497	-	-
Current liabilities					
Trade payables	25	266,829	304,811	-	-
Other payables	26	79,535	95,905	911	1,047
Deferred income	22	5,004	5,046	-	-
Amount owing to a related party	20	144,279	2,875	-	-
Amount owing to subsidiaries	20	-	-	6,346	4,120
Amount owing to a director	20	13,841	13,015	13,841	13,015
Interest-bearing liabilities	21	190,000	180,000	-	-
Lease liabilities	24	1,674	-	-	-
Income tax payable		4,868	541	-	-
		706,030	602,193	21,098	18,182
Total liabilities		1,139,793	1,212,690	21,098	18,182
Total equity and liabilities		1,036,275	1,217,524	340,252	322,253

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital	Statutory reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 1 January 2018	308,723	91,380	(304,755)	95,348
Loss representing total comprehensive loss for the financial year	-	-	(90,514)	(90,514)
At 31 December 2018	308,723	91,380	(395,269)	4,834
Loss representing total comprehensive loss for the financial year	-	-	(108,352)	(108,352)
At 31 December 2019	308,723	91,380	(503,621)	(103,518)

	Share capital	Accumulated (losses)/ profits	Total
	RMB'000	RMB'000	RMB'000
Company			
At 1 January 2018	308,723	19,718	328,441
Loss representing total comprehensive loss for the financial year	-	(24,370)	(24,370)
At 31 December 2018	308,723	(4,652)	304,071
Profit representing total comprehensive income for the financial year	-	15,083	15,083
At 31 December 2019	308,723	10,431	319,154

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Loss before taxation		(95,285)	(85,469)
Adjustments for:			
Depreciation of property, plant and equipment	11(i)	60,586	79,784
Amortisation of land use rights	11(ii)	1,070	1,069
Amortisation of government grant	22	(5,046)	(5,384)
Gain on disposal of property, plant and equipment, net		960	(67)
Interest expense	6	41,121	44,022
Interest income	5	(1,331)	(1,753)
Impairment loss of property, plant and equipment	11(i)	44,183	41,134
Allowance of write-down of inventories, net	14	805	1,030
Foreign currency loss (unrealised)		749	-
Reversal of loss allowances for trade receivables	15	(1,603)	-
Loss allowance for trade and other receivables	15 & 16	-	5,940
Impairment loss on deposits	16	6,642	-
Operating cash flows before movements in working capital		52,851	80,306
<i>Movements in working capital</i>			
Inventories		37,410	(47,574)
Trade receivables		(5,829)	(7,022)
Other receivables, deposits and prepayments		6,265	(3,940)
Trade payables		(37,982)	57,626
Other payables		(16,370)	2,110
Amount owing to a related party		(385)	1,225
Cash generated from operations		35,960	82,731
Income taxes paid		(8,740)	(3,820)
Net cash generated from operating activities		27,220	78,911
Investing activities			
Purchase of property, plant and equipment	11(i)	(23,711)	(37,429)
Proceeds from disposal of property, plant and equipment		9,831	10,787
Interest income received		1,331	1,753
Proceeds from government grants		-	192
Net cash used in investing activities		(12,549)	(24,697)
Financing activities			
Interest expense paid		(40,620)	(43,838)
Net decrease in pledged cash deposits		-	20,880
Amount owing to a related party	20	103,789	38,000
Amount owing to a director		-	2,848
Proceeds from interest-bearing loans and borrowings		758,000	785,215
Repayment of interest-bearing loans and borrowings		(885,390)	(862,975)
Repayment of lease liabilities		(2,000)	-
Net cash used in financing activities		(66,221)	(59,870)
Net decrease in cash and cash equivalents		(51,550)	(5,656)
Cash and cash equivalents at beginning of financial year		87,322	92,978
Cash and cash equivalents at end of financial year	17	35,772	87,322

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Reconciliation of assets/liabilities arising from financing activities

	Financing cash (outflows)/inflow			Non-cash movements			
	1 January 2019	Repayments	Interest paid	Acquisition	Interest expenses	Translation difference	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Liabilities

Bank borrowings	719,390	(127,390)	(41,044)	-	41,044	-	592,000
Lease liabilities	1,839	(2,000)	-	5,071	424	-	5,334
Amount owing to a director	13,015	-	-	-	77	749	13,841

	Financing cash (outflows)/inflow			Non-cash movements		
	1 January 2018	Repayments	Interest paid	Interest expenses		31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000

Liabilities

Bank borrowings	797,150	(77,760)	(43,838)	43,838		719,390
Amount owing to a director	9,983	2,848	2,848	184		13,015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Luzhou Bio-chem Technology Limited (the “Company”) (Registration Number: 200412523N) is incorporated in Singapore and has its registered office at 18 Cross Street, #07-11 China Square Central, Singapore 048423. The Company was admitted to the Mainboard of the Singapore Exchange Securities Trading Limited on 24 February 2006. The Company’s principal place of business is at 8 Burn Road, #07-09 Trivex, Singapore 369977.

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are set out in Note 13.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the “Group”).

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue by the board of directors on 17 July 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) including related Interpretations of SFRS(I) (“SFRS(I) INT”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Renminbi (“RMB”) which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand (“RMB’000”), unless otherwise indicated.

The Group’s current liabilities exceeded its current assets by approximately RMB174.5 million and reported a capital deficiency of RMB 103.5 million as at 31 December 2019. Notwithstanding the aforementioned conditions of the Group, the management is of the opinion that there is no material uncertainty over the use of the going concern basis of accounting in preparing the Group’s financial statements given its ability to generate positive operating cash flows, as well as to receive continued support from its banks and controlling shareholder.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. Other than SFRS(I) 16 *Leases* ("SFRS(I) 16"), the adoption of these new or revised SFRS(I)s and SFRS(I) INT did not result in changes to the Group's and Company's accounting policies, and has no material effect on the current or prior year's financial statement and is not expected to have a material effect on future periods. The effects of adopting SFRS(I) 16 is disclosed in Note 34.

SFRS(I)s and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT that are relevant to the Group were issued but not yet effective:

		Effective date (annual periods beginning on or after)
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
SFRS(I) 9		
SFRS(I) 1-39	Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7:	1 January 2020
SFRS(I) 7	<i>Interest Rate Benchmark Reform</i>	
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
	Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	
SFRS(I) 17	Insurance Contracts	1 January 2021

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and the Company do not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group or Company in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from them through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.3 Business combinations

Business combinations from 1 January 2017

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the Group determines whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* ("SFRS(I) 3") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.3 Business combinations (Cont'd)

Business combinations from 1 January 2017 (Cont'd)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

Business combinations before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I), the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.4 Revenue recognition

Revenue from contracts with its customers is recognise goods when or as the Group satisfies a performance obligation by transferring a promised goods or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

Sale of goods

Revenue from the sale of corn refining products is recognised at a point in time when the control of the goods is transferred to the customer (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Employee benefits

The Group participates in the national pension schemes as defined by the laws of the People's Republic of China ("PRC"). Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

2.8 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets under construction represent property, plant and equipment under construction or being installed and are stated at cost less any impairment losses, and are not depreciated. Assets under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. When events or changes in circumstances indicate that the carrying value may not be recoverable, the carrying amount of the asset is written down to its recoverable amount.

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment over their estimated useful lives as follows:

	Estimated useful lives
Property	20 years
Machinery and tools	3 - 12 years
Office equipment and furniture	5 years
Motor vehicles	6 years
Renovation	3 - 5 years
Office premise	4 years

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 24.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable.

No depreciation is charged on assets under construction as they are not yet in use as at the end of the financial year.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes direct material and labour and an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, allowance for obsolete, slow-moving or defective inventories is made to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.11 Land use rights and intangible assets

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses (if any). The land use rights are amortised over the lease term of 50 years.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.12 Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.13 Financial instruments (Cont'd)

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 *Revenue from Contracts with Customers* (“SFRS(I) 15”) in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost and fair value through profit or loss (“FVTPL”). The classification at initial recognition depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group’s business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset’s contractual cash flows are solely payments of principal and interest (“SPPI”) on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVTOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.13 Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets measured at amortised cost. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.13 Financial instruments (Cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables, amount owing to a related party, a director and subsidiaries

Trade and other payables, amount owing to a related party, a director and subsidiaries are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.5 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.15 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a lease*.

The Group as a lessee from 1 January 2019

These accounting policies are applied on and after the initial application date of SFRS(I) 16 (i.e. 1 January 2019).

At inception of a contract, the Group assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under SFRS(I) 16. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

Right-of-use assets are presented within "property, plant and equipment".

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.15 Leases (Cont'd)

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

The Group as a lessee before 1 January 2019

Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Where a contract contains more than one lease and/or non-lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component.

At the lease commencement date, the Group assess and classify lease as either an operating lease or a finance lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Operating Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.17 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Cont'd)

2.18 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Other government grants are recognised as income over the periods necessary to match them with costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss as "other operating income" in the period in which they become receivable.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in the notes to financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value-in-use calculation is based on a discounted cash flow model. The future cash flow is expected to result from the use of the asset and its possible disposal and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for calculation purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

3.2 Key sources of estimation uncertainty

Measurement of ECL of trade receivables

The Group uses allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last five years prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The carrying amount of the Group's trade receivables, net at loss allowance of ECL of RMB 13,784,000 (2018: RMB 15,121,000), amounted to RMB 187,298,000 as at 31 December 2019 (2018: RMB 180,132,000).

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2019 were RMB 461,241,000 (2018: RMB 546,180,000).

Impairment of investments in subsidiaries

An assessment is made on whether there are indicators that the Company's investments are impaired. Where applicable, the Company's assessments are based on the estimation of the fair value less costs of disposal or the value-in-use of the assets defined in SFRS(I) 1-36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2019 was RMB 321,044,000 (2018: RMB 321,044,000).

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price, being the merchandise's selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2019 was RMB 196,766,000 (2018: RMB 234,981,000).

Provision for income taxes

The Group has exposure to income taxes in different jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's and Company's current tax payable as at 31 December 2019 were RMB 4,868,000 (2018: RMB 541,000) and RMB Nil (2018: RMB Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Revenue from contracts with customers

	Group	
	2019 RMB'000	2018 RMB'000
Sale of goods	2,042,154	2,222,810

Revenue is disaggregated to corn refining and others segment. The timing of transferred of goods is determined at a point in time.

The disaggregation is based on the location of customers from which revenue was generated:

	Reportable segments					
	Corn refining		Others		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Geographical markets						
PRC	1,947,163	2,144,364	2,796	2,286	1,949,959	2,146,650
Overseas	92,195	76,160	-	-	92,195	76,160
	2,039,358	2,220,524	2,796	2,286	2,042,154	2,222,810

As the Group does not have any contract that have expected duration of more than a year, the Group has applied the practical expedient permitted under SFRS(I) 15 for those performance obligations.

Contract balances

The following table provides information about contract liabilities from contracts with customers:

	Group	
	2019 RMB'000	2018 RMB'000
Contract liabilities		
Advances from customers (Note 26)	20,771	23,638

	Group	
	2019 RMB'000	2018 RMB'000
Contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	23,638	20,967

There were no significant changes in the contract liabilities during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. Other operating income

	Group	
	2019 RMB'000	2018 RMB'000
Gain on sale of consumables and waste materials	7,633	12,197
Gain on disposal of property, plant and equipment	968	67
Government grants and subsidies (Note A)	2,674	3,641
Amortisation of government grant (Note 22)	5,046	5,384
Interest income from banks	1,331	1,753
Income from penalties imposed on suppliers	1,591	1,957
Foreign currencies exchange gain	-	288
Insurance claims	334	229
Rental income	960	480
Others	931	1,758
	21,468	27,754

Note A:

Government grants and subsidies relate to monetary incentives received from government agencies in People's Republic of China ("PRC"), include assistance for purchases of industrial products and agricultural products, enterprise technology award, post stabilising subsidies, special subsidies for the prevention and control of air pollution, and special fund for development of the central government foreign trade and economic cooperation.

6. Finance expenses

	Group	
	2019 RMB'000	2018 RMB'000
Interest expense on trade financing	239	249
Interest expense on bank loans	40,369	43,588
Interest expense on leases	424	-
Interest expense – others	89	185
	41,121	44,022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Loss before taxation

	Group	
	2019 RMB'000	2018 RMB'000
Loss before taxation is arrived at after charging/(crediting):		
Audit fees to auditors of the Company	1,172	1,029
Non-audit fees paid to auditors of the Company	18	15
Total fees paid to auditors of the Company ⁽²⁾	1,190	1,044
Cost of inventories included in cost of sales	1,860,856	2,006,807
Foreign currencies exchange loss/(gain), net ⁽³⁾⁽⁵⁾	950	(288)
Operating lease expenses ⁽¹⁾⁽²⁾	558	2,627
Research and development expenses ⁽²⁾	592	206
Depreciation of property, plant and equipment ⁽¹⁾⁽²⁾⁽⁴⁾	60,586	79,784
Amortisation of land use rights ⁽²⁾	1,070	1,069
Loss/(Gain) on disposal of property, plant and equipment, net ⁽³⁾⁽⁵⁾	960	(67)
Impairment loss of property, plant and equipment ⁽³⁾	44,183	41,134
Allowance for doubtful trade and other receivables and the impairment, net ⁽²⁾	5,039	5,940
Staff costs (excluding directors' remuneration) (Note 8) ⁽¹⁾⁽²⁾⁽⁴⁾	124,485	143,328
Utilities charges ⁽¹⁾⁽²⁾⁽⁴⁾	4,795	11,742
Transportation costs ⁽¹⁾	78,239	87,695

(1) Included in selling and distribution expenses

(2) Included in administrative expenses

(3) Included in other operating expenses

(4) Included in cost of sales

(5) Included in other operating income

Depreciation of property, plant and equipment totalling RMB 41,431,000 (2018: RMB 56,104,000) is recognised as an expense in the cost of sales.

8. Staff costs

	Group	
	2019 RMB'000	2018 RMB'000
Salaries and bonuses	99,553	115,767
Contribution to defined contribution plan	17,339	21,437
Other staff related costs	7,593	6,124
	124,485	143,328

Staff costs totalling RMB 70,398,000 (2018: RMB 78,781,000) were recognised as an expense in the cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. Staff costs (Cont'd)

Compensation of key management personnel

	Group	
	2019 RMB'000	2018 RMB'000
Directors of the Company		
Short-term employee benefits		
- Salaries	2,520	3,720
- Directors' fee	859	835
- Others	264	100
	3,643	4,655

9. Income tax expense

	Group	
	2019 RMB'000	2018 RMB'000
Current tax		
Current year	13,067	5,045

The tax expense on the results for the financial year differs from the amount that would arise using the PRC income tax rate applicable to the loss before taxation of the main operating legal subsidiaries in PRC due to the following factors:

	Group	
	2019 RMB'000	2018 RMB'000
Loss before taxation	(95,285)	(85,469)
Tax at the applicable rate of 25% (2018: 25%)	(23,821)	(21,367)
Tax exemption	-	(1,339)
Effect of different tax rate of Singapore company	(1,207)	677
Non-deductible expenses	34,242	7,949
Deferred tax assets arising in current year not recognised	10,786	23,497
Utilisation of deferred tax assets not recognised previously	(6,933)	(4,372)
Total tax expense	13,067	5,045

The prevailing tax rate of the subsidiaries residing in the PRC is 25% (2018: 25%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. Income tax expense (Cont'd)

Deferred tax assets not recognised

	Group	
	2019 RMB'000	2018 RMB'000
Unutilised tax losses	85,418	85,766
Others	12,317	8,116
	97,735	93,882

At the reporting date, certain subsidiaries in the Group have unutilised tax losses amounting to RMB 341,672,000 (2018: RMB 343,066,000) which can be carried forward and used to offset against future taxable income, subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. In PRC, these tax losses will expire 5 years from the year it arises. Deferred tax assets are not recognised due to uncertainty of its recoverability.

10. Loss per share

Basic and diluted loss per share is calculated based on the loss attributable to shareholders for the financial year divided by the number of the Company's ordinary shares as follows:

	Group	
	2019	2018
Basic and diluted loss per share is based on:		
- Loss for the financial year attributable to ordinary shareholders (RMB'000)	(108,352)	(90,514)
Weighted average number of ordinary shares (in thousands)	594,000	594,000
Loss per share (RMB cents)	(18.2)	(15.2)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 (i). Property, plant and equipment

	Property	Machinery and tools	Office equipment and furniture	Motor vehicles	Renovation	Assets under construction	Office premise	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Cost								
At 1 January 2018	377,618	969,994	49,243	11,495	225	23,565	-	1,432,140
Additions	472	12,332	1,023	577	-	23,025	-	37,429
Disposals	(123)	(16,142)	(497)	(609)	-	(2,334)	-	(19,705)
Reclassifications	1,995	19,500	-	-	-	(21,495)	-	-
At 31 December 2018	379,962	985,684	49,769	11,463	225	22,761	-	1,449,864
Recognition of right-of-use assets on initial application of SFRS(I) 16 (Note 34)	-	-	-	-	-	-	1,839	1,839
Adjusted balance at 1 January 2019	379,962	985,684	49,769	11,463	225	22,761	1,839	1,451,703
Additions	30	16,898	306	183	-	6,294	5,071	28,782
Disposals	(30)	(16,872)	(1,308)	(512)	-	(838)	-	(19,560)
Reclassifications	-	4,112	-	4	-	(4,116)	-	-
At 31 December 2019	379,962	989,822	48,767	11,138	225	24,101	6,910	1,460,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 (i). Property, plant and equipment (Cont'd)

	Property	Machinery and tools	Office equipment and furniture	Motor vehicles	Renovation	Assets under construction	Office premise	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Accumulated depreciation								
At 1 January 2018	131,790	498,803	43,281	8,606	225	-	-	682,705
Depreciation for the financial year	16,498	61,270	1,248	768	-	-	-	79,784
Disposals	(60)	(7,907)	(479)	(539)	-	-	-	(8,985)
At 31 December 2018	148,228	552,166	44,050	8,835	225	-	-	753,504
At 1 January 2019	148,228	552,166	44,050	8,835	225	-	-	753,504
Depreciation for the financial year	16,054	41,151	951	701	-	-	1,729	60,586
Disposals	(12)	(7,018)	(1,253)	(486)	-	-	-	(8,769)
At 31 December 2019	164,270	586,299	43,748	9,050	225	-	1,729	805,321
Accumulated impairment loss								
At 1 January 2018	17,402	91,644	-	-	-	-	-	109,046
Impairment for the financial year	-	41,134	-	-	-	-	-	41,134
At 31 December 2018	17,402	132,778	-	-	-	-	-	150,180
At 1 January 2019	17,402	132,778	-	-	-	-	-	150,180
Impairment for the financial year	-	39,757	-	-	-	4,426	-	44,183
At 31 December 2019	17,402	172,535	-	-	-	4,426	-	194,363
Carrying amount								
At 31 December 2019	198,290	230,988	5,019	2,088	-	19,675	5,181	461,241
At 31 December 2018	214,332	300,740	5,719	2,628	-	22,761	-	546,180

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 (i). Property, plant and equipment (Cont'd)

	Office equipment and furniture	Renovation	Total
	RMB'000	RMB'000	RMB'000
Company			
Cost			
At 1 January 2018	24	224	248
Additions	10	-	10
At 31 December 2018 and 31 December 2019	34	224	258
Accumulated depreciation			
At 1 January 2018	24	224	248
Depreciation for the financial year	1	-	1
At 31 December 2018	25	224	249
Depreciation for the financial year	2	-	2
At 31 December 2019	27	224	251
Carrying amount			
At 31 December 2019	7	-	7
At 31 December 2018	9	-	9

The Group continued to operate under challenging conditions in China during the financial year, resulting in certain cash generating units incurring consecutive losses which may have an adverse impact on the recoverable amount of the affected property, plant and equipment.

At the end of the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment, having regard to its impairment indication and any significant changes in the recoverable amount of property, plant and equipment. Based on the review, an impairment loss of RMB 44,183,000 (2018: RMB 41,134,000) was recognised in other operating expense as the respective recoverable amount is lower than the carrying amount of property, plant and equipment. The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value-in-use.

The recoverable amount of one CGU was based on the value-in-use. The weighted average cost of capital of 13.05% (2018: 13.05%) which reflects the current market assessment of the time value of money and the risk specific to the Group was used as the discount rate in measuring the value-in-use. The projected growth rates used were derived from the published industry research, adjusted for the specific circumstances based on management's judgement. The average growth rate used during the projection periods was 2% (2018: 2%).

The recoverable amount of another CGU was derived from its fair value less costs of disposal (2018: value-in-use) on the basis of that that the CGU had stopped production completely due to poor local market conditions.

As at the reporting date, property, plant and equipment with carrying amount of RMB 221,644,000 (2018: RMB 346,926,000) were pledged to secure the Group's interest-bearing loans and borrowings as disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 (ii). Land use rights

	Group	
	2019 RMB'000	2018 RMB'000
Cost		
At 1 January and 31 December	52,975	52,975
Accumulated amortisation		
At 1 January	10,369	9,300
Amortisation for the financial year	1,070	1,069
At 31 December	11,439	10,369
Carrying amount		
At 31 December	41,536	42,606

	Group	
	2019 RMB'000	2018 RMB'000
Amounts to be amortised		
Not later than one year	1,069	1,069
Later than one year but not later than five years	4,278	4,278
Later than five years	36,189	37,259
	41,536	42,606

- (a) Land use rights represent leasehold interests in 5 (2018: 5) plots of state-owned land located in the PRC where the Group's manufacturing facilities reside. The lease terms expire between years 2055 to 2061.
- (b) At the reporting date, the carrying amount of land use rights of RMB 34,777,000 (2018: RMB 42,309,000) has been pledged to interest-bearing loans of the Group (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Other investments

	Group	
	2019 RMB'000	2018 RMB'000
Unquoted equity shares		
Financial asset held at FVTPL	2,060	2,060
	2,060	2,060

The Group is not allowed to dispose of this investment within the next five years since the date of acquisition.

The investment in unquoted equity instrument is classified at FVTPL relates to 2% unquoted equity securities in an unquoted rural credit co-operative union corporation in China.

The Group classified unquoted equity shares at FVTPL and present the gains and losses on its investment in equity instrument in statement of profit or loss as the investment was held as long-term investment and will only sell the investment to re-invest the cash on other financial asset when the opportunity arises.

13. Investments in subsidiaries

	Company	
	2019 RMB'000	2018 RMB'000
Unquoted equity shares, at cost	372,654	372,654
Less: Accumulated impairment loss	(51,610)	(51,610)
	321,044	321,044

An impairment assessment was conducted on the recoverable amounts of the Company's investment in the subsidiaries. Consequently, RMB Nil (2018: RMB 15,910,000) is recognised in the current financial year as the recoverable amount based on value-in-use or fair value less costs of disposal is higher than the carrying amount of the Company's cost of investments. The discount rate used in measuring value-in-use based on the weighted average cost of capital was 13.05% (2018: 13.05%) which reflects the current market assessment of the time value of money and the risk specific to the Group. The projected growth rates used are based on the published industry research, adjusted for the specific circumstances and based on management's judgement.

The movement of impairment loss in respect of investment in subsidiaries are as follows:

	Company	
	2019 RMB'000	2018 RMB'000
At 1 January	51,610	35,700
Impairment loss recognised in the year	-	15,910
At 31 December	51,610	51,610

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Investments in subsidiaries (Cont'd)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment held by the Company		Effective percentage of equity interest held by the Company	
			2019	2018	2019	2018
鲁洲生物科技(山东)有限公司 (Luzhou Bio-chem Technology (Shandong) Co., Ltd.) ⁽¹⁾⁽²⁾	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China ("PRC")	US\$25,300,000 (RMB 189,341,000)	US\$25,300,000 (RMB 189,341,000)	100	100
鲁洲生物科技(辽宁)有限公司 (Luzhou Bio-chem Technology (Liaoning) Co., Ltd.) ⁽¹⁾	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$2,000,000 (RMB 15,909,000)	US\$2,000,000 (RMB 15,909,000)	100	100
鲁洲生物科技(陕西)有限公司 (Luzhou Bio-chem Technology (Shaanxi) Co., Ltd.) ⁽¹⁾	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$7,000,000 (RMB 46,381,000)	US\$7,000,000 (RMB 46,381,000)	100	100
鲁洲生物科技(四川)有限公司 (Luzhou Bio-chem Technology (Sichuan) Co., Ltd.) ⁽¹⁾	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$4,463,000 (RMB 35,700,000)	US\$4,463,000 (RMB 35,700,000)	100	100
鲁洲生物科技(河南)有限公司 (Luzhou Bio-chem Technology (Henan) Co., Ltd.) ⁽¹⁾	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$11,000,000 (RMB 82,323,000)	US\$11,000,000 (RMB 82,323,000)	100	100
山东泓洲化工机械有限公司 (Shandong Hongzhou Chemical Equipment Co., Ltd.) ⁽¹⁾	Provision of engineering services and construction of industrial machinery and equipment	People's Republic of China	US\$375,000 (RMB 3,000,000)	US\$375,000 (RMB 3,000,000)	100	100
山东鲁洲氨基酸有限公司 (Shandong Luzhou Amino Acid Co., Ltd.) ⁽⁴⁾	Production and sale of amino acids	People's Republic of China	-	-	100	100
新疆鲁洲生物科技有限公司 (Xinjiang Luzhou Bio-chem Technology Co., Ltd.) ⁽¹⁾⁽³⁾	Production and distribution of sweeteners	People's Republic of China	-	-	100	100
临沂易粮商贸有限公司 (Linyi Yiliang Trading Co., Ltd.) ⁽¹⁾⁽⁵⁾	Material purchase and sales, include but not limited to agricultural products, oil, sweeteners, corn starch, mechanical equipment and etc	People's Republic of China	-	-	100	-
			RMB 372,654,000	RMB 372,654,000		

(1) All the subsidiaries are either audited or reviewed by overseas member firms of Mazars for consolidation purposes.

(2) The subsidiary has two branch offices: Yishui Branch Office and Animal Feed Branch Office. Animal Feed Branch became dormant since financial year 2016.

(3) The subsidiary is a wholly-owned subsidiary of Luzhou Bio-chem Technology (Shaanxi) Co., Ltd., incorporated in 2016 with a registered capital of RMB 36 million.

(4) The subsidiary is dormant.

(5) The subsidiary is a wholly-owned subsidiary of Luzhou Bio-chem Technology (Shandong) Co., Ltd. incorporated in 2018 with a registered capital of RMB 30 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Inventories

	Group	
	2019 RMB'000	2018 RMB'000
Raw materials	132,210	140,852
Work-in-progress	14,074	16,931
Finished goods	49,391	76,251
Packaging materials and consumables	1,091	947
	196,766	234,981
Inventories recognised as an expense:		
Inventories written-down value	2,595	1,430
Reversal of written-down value	(1,790)	(400)
	805	1,030

The Group has recognised a reversal of RMB 1,790,000 (2018: RMB 400,000) being part of the inventory written-down in prior year as the inventories were sold above their carrying amounts in current year.

Inventories of RMB 48,000,000 (2018: RMB 48,000,000) of the Group have been pledged as security of credit facilities of the Group (Note 21).

15. Trade receivables

	Group	
	2019 RMB'000	2018 RMB'000
Trade receivables	184,292	180,655
Bills receivables	12,128	8,532
Value-added tax recoverable	4,662	6,066
	201,082	195,253
Less: Loss allowance (ECL) for trade receivables	(13,784)	(15,121)
	187,298	180,132

Movement in loss allowance for trade receivables are as follow:

At 1 January	(15,121)	(10,637)
Allowance charged to profit or loss	(225)	(4,484)
Reversal of loss allowance	1,562	-
At 31 December	(13,784)	(15,121)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. Trade receivables (Cont'd)

The currency profiles of the Group's trade receivables as at 31 December are as follows:

	Group	
	2019 RMB'000	2018 RMB'000
RMB	183,895	177,047
United States dollar ("USD" or "US\$")	3,403	3,085
	187,298	180,132

Trade receivables are non-interest bearing and generally on 30 to 90 days (2018: 30 days to 90 days) credit term.

Bills receivables, which are non-interest bearing, are issued by banks with average maturity of 5 months (2018: 4 months) as at the financial year end. These bills receivables are transferable.

The Group's primary exposure to credit risk arises through its trade receivables. Customers are largely dispersed, engaging in a wide spectrum of manufacturing activities and sell in a variety of end markets. The Group does not hold any collateral over these balances.

The details of the impairment of trade receivables and credit exposures are disclosed in Note 31.

16. Other receivables, deposits and prepayments

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Other receivables	6,634	6,016	19,035	48
Less: Loss allowance (ECL)	(180)	(180)	-	-
Advances paid to suppliers	16,204	17,099	-	-
Less: Loss allowance (ECL)	(1,190)	(1,456)	-	-
	21,468	21,479	19,035	48
Deposit placed to acquire land use right	6,642	6,642	-	-
Less: Impairment loss	(6,642)	-	-	-
Prepayments	13,734	19,722	-	-
	35,202	47,843	19,035	48

Deposit placed to acquire land used right is for the land of Xinjiang Luzhou Bio-chem Technology Co., Ltd. and an impairment assessment was conducted on the recoverable amounts of the deposits and an impairment loss of RMB 6,642,000 was recognised into profit or loss based on the management assessment.

Advances paid to suppliers are mainly for purchases of raw material for production purposes and utilities expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. Other receivables, deposits and prepayments (Cont'd)

Movement in loss allowance for other receivables, advances paid to suppliers and deposits are as follow:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
At 1 January	(1,636)	(180)	-	-
Reversal/(Allowance) charged to profit or loss	266	(1,456)	-	-
At 31 December	(1,370)	(1,636)	-	-

The currency profiles of the Group's and the Company's other receivables, deposits and prepayments as at 31 December are as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
RMB	35,167	47,795	19,000	-
Singapore dollar ("SGD" or "S\$")	35	48	35	48
	35,202	47,843	19,035	48

The details of the impairment of other receivables and credit exposures are disclosed in Note 31.

17. Cash and bank balances

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash at banks and in hand	35,772	87,322	166	1,152
Bank deposits	76,400	76,400	-	-
	112,172	163,722	166	1,152

Cash at banks earn interest at floating rates based on daily bank deposits rates. The average effective interest rate earned for the financial year was 0.3% (2018: 0.1%) per annum for cash at banks and 1.5% (2018: 2.0%) for pledged cash deposits.

Included in cash and bank balances of the Group are fixed deposits totalling RMB 76,400,000 (2018: RMB 76,400,000) which are placed for a period of 12 months (2018: 12 months) depending on the immediate cash requirements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Cash and bank balances (Cont'd)

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise the following at the end of the financial year:

	Group	
	2019 RMB'000	2018 RMB'000
Cash at banks and in hand	112,172	163,722
Bank deposits pledged	(76,400)	(76,400)
Cash and bank balances per consolidated statement of cash flows	35,772	87,322

The currency profiles of the Group's and Company's cash and bank balances as at 31 December are as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
RMB	112,006	162,570	-	-
SGD	166	1,152	166	1,152
	112,172	163,722	166	1,152

Cash and bank deposits of the Group level in PRC are subject to local exchange control regulations. These local exchange control regulations provide for restriction on exporting capital from the country, other than through normal dividends.

18. Share capital

The details of changes in the Company's share capital were as follows:

	Group and Company			
	Share capital		No. of shares	
	2019 RMB'000	2018 RMB'000	2019 '000	2018 '000
Fully paid ordinary shares at the beginning and the end of financial year, with no par value	308,723	308,723	594,000	594,000

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company without restriction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. Statutory reserve

In accordance with relevant PRC regulations, wholly-owned foreign enterprises in PRC are required to appropriate not less than 10% of their respective profit after taxation to the statutory reserves until the cumulative balance of the fund reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations and approvals from the relevant PRC authorities, the statutory reserves of these enterprises may be used to offset against their respective accumulated losses or increase the registered capital of the subsidiary. The reserve is not available for dividend distribution to shareholders.

20. Amount owing to a related party/subsidiaries/a director

The amount owing to a related party is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in RMB.

The amount owing to subsidiaries is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in RMB.

The amount owing to a director is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in SGD.

21. Interest-bearing liabilities

	Group	
	2019 RMB'000	2018 RMB'000
Loans and borrowings		
Non-current		
- Secured	252,000	379,390
- Unsecured	150,000	160,000
Total non-current	402,000	539,390
Current		
- Secured	160,000	160,000
- Unsecured	30,000	20,000
Total current	190,000	180,000
Total loans and borrowings	592,000	719,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. Interest-bearing liabilities (Cont'd)

Maturity of interest-bearing loans and borrowings

	Group	
	2019 RMB'000	2018 RMB'000
Within one year	190,000	180,000
After one year but within two years	402,000	539,390
Total interest-bearing loans and borrowings	592,000	719,390

As at reporting date, the loans and borrowings of the Group were secured and/or guaranteed by the following:

- (i) pledge of certain property, plant and equipment of the Group (Note 11(i));
- (ii) pledge of certain land use rights (Note 11(ii)(b));
- (iii) pledge of properties owned by related parties;
- (iv) corporate guarantees given by related parties;
- (v) personal guarantee given by related parties;
- (vi) corporate guarantees given by third parties;
- (vii) pledge of inventories of the Group; and
- (viii) pledge of cash deposit of the Group (Note 17).

The loan and borrowings are denominated in RMB and bear interest at the average effective interest rate of 5.39% (2018: 5.82%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. Deferred income

Deferred income represents receipt of government grants relating to construction of certain production plants using domestically manufactured plant and equipment in PRC. The deferred income is amortised to the profit or loss on a straight-line basis over the expected useful lives of the relevant assets. There are no unfulfilled conditions or contingencies attached to these grants.

	Group	
	2019 RMB'000	2018 RMB'000
Cost		
At 1 January	88,876	88,684
Additions	-	192
At 31 December	88,876	88,876
Accumulated amortisation		
At 1 January	51,312	45,928
Amortisation for the financial year	5,046	5,384
At 31 December	56,358	51,312
Carrying amount		
At 31 December	32,518	37,564
Amortisation due within:		
Next twelve months - current portion	5,004	5,046
More than twelve months - non-current portion	27,514	32,518
	32,518	37,564

In the previous financial year, one of the Group's subsidiaries received government grants of RMB 192,000 related to a special grant for key laboratory used to purchase instruments and equipment of the Group's Research and Development Centre.

23. Deferred taxation

	Group	
	2019 RMB'000	2018 RMB'000
Accelerated tax depreciation	589	589

Pursuant to the PRC Enterprise Income Tax Law (中华人民共和国企业所得税法), which was effective from 1 January 2008, dividends distributed by PRC entities for profits generated before 1 January 2008 are exempted from withholding tax. Dividend paid in respect of profits generated on or after 1 January 2008 will be subject to a withholding tax of 5%.

At the reporting date, temporary differences in relation to the undistributed earnings of the profitable subsidiaries, for which deferred tax liabilities have not been recognised, is approximately RMB 237,800,000 (2018: RMB 241,800,000). No liability has been recognised in respect of these differences as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. The Group as a lessee

The Group leases an office premise four years. Previously, the lease was classified as operating leases under SFRS(I) 1-17. The Group is restricted from entering into any sublease arrangement for these leases.

Recognition exemptions

The Group has certain equipment with lease terms of 12 months or less and/or of low value. For such leases, the Group has elected not to recognise right-of use assets and lease liabilities.

24(a) Right-of-use assets

The carrying amount of right-of-use assets by class of underlying asset classified within property, plant and equipment as follows:

	Office premise
	RMB'000
Group	
At 1 January 2019	1,839
Additions	5,071
Depreciation	(1,729)
At 31 December 2019	<u>5,181</u>

The total cash outflow for leases during the financial year ended 31 December 2019 is RMB 2,000,000.

24(b) Lease liabilities - 2019

	2019 RMB'000
Lease liabilities - non-current	3,660
Lease liabilities - current	1,674
	<u>5,334</u>

The maturity analysis of lease liabilities is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. The Group as a lessee (Cont'd)

24(c) Amounts recognised in profit or loss

	2019 RMB'000
Interest expense on lease liabilities	424
Expense relating to short-term leases and low-value assets	558

25. Trade payables

Trade payables are denominated in RMB, non-interest bearing and are normally settled within 30-60 days (2018: 30 days).

26. Other payables

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Other payables	7,572	9,151	-	-
Deposits from customers	4,999	5,108	-	-
Payables for construction of property, plant and equipment	4,145	7,546	-	-
Retention money owing to contractors and suppliers	4,346	7,083	-	-
Accrued operating expenses	35,396	40,991	911	1,047
Advances from customers (Note 4)	20,771	23,638	-	-
Other tax payables	2,306	2,388	-	-
	79,535	95,905	911	1,047

Other payables and accruals are non-interest bearing and have an average repayment term of 12 months (2018: 12 months).

The currency profiles of the Group's and the Company's other payables and accruals as at 31 December are as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
RMB	74,229	93,126	-	-
USD	4,395	1,732	-	-
SGD	911	1,047	911	1,047
	79,535	95,905	911	1,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. Dividends

No dividend was paid or proposed for the financial year ended 31 December 2019.

28. Commitments

Capital commitments

At the reporting date, the Group had no capital commitments contracted for but not provided in the financial statements.

Operating lease commitments

	Group
	2018
	RMB'000
Within one year	2,262
After one year but within five years	135
	<u>2,397</u>

Operating lease payments represent rents payable by the Group for equipment, manufacturing and office premises. The leases are generally on an initial period of three years term with an option to renew for another three years term at the prevailing market rate.

Lessor

At the reporting date, future minimum rentals receivable under non-cancellable operating leases in respect of equipment, manufacturing and office premises are as follows:

	2019	2018
	RMB'000	RMB'000
Future minimum lease payments receivable:		
Within one year	1,200	480
After one year but within five years	2,160	1,440
	<u>3,360</u>	<u>1,920</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is affiliated to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Significant related party transactions (Cont'd)

The following were the significant transactions with related parties on terms agreed between the parties during the financial year as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Transactions with parties in which a director has substantial interest:		
- Operating lease expenses	2,350	2,350
Transactions with a director:		
- Interest expenses payable to a director	77	184

30. Segment information

The Group has four reporting segments, as described below, which are the Group's strategic business units based on their products.

The Group's reportable operating segments are as follows:

- (a) Corn refining – includes the manufacture and sale of corn sweeteners, corn starch, corn oil and related products.
- (b) Animal feeds – includes the manufacture of feed for farm animals.
- (c) Other products – includes manufacture and sale of amino acids and provision of engineering services and construction of industrial machinery and equipment.
- (d) Corporate – refers to administrative office in Singapore.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Cont'd)

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
2019							
Revenue:							
External customers	2,039,358	-	2,796	-	-		2,042,154
Inter-segment sales	12,504	-	39,216	-	(51,720)	A	-
Total revenue	2,051,862	-	42,012	-	(51,720)		2,042,154
Results:							
Segment loss/profit before taxation	(48,073)	105	(2,078)	(7,689)	(37,550)	B	(95,285)
Income tax expense	(13,067)	-	-	-	-		(13,067)
Interest income from banks	1,328	-	3	-	-		1,331
Interest expense	(41,035)	(1)	(7)	(78)	-		(41,121)
Depreciation of property, plant and equipment	(60,703)	(855)	(688)	(2)	1,662	C	(60,586)
Amortisation of land use rights	(1,070)	-	-	-	-		(1,070)
Impairment of property, plant and equipment	(44,183)	-	-	-	-		(44,183)
Loss on disposal of property, plant and equipment, net	(960)	-	-	-	-		(960)
Other non-cash expenses	(708)	-	(90)	(749)	-	D	(1,547)
Assets:							
Segment assets	1,029,682	3,106	10,699	208	(7,420)	E	1,036,275
Additions to non-current assets	28,777	-	5	-	-	F	28,782
Liabilities:							
Segment liabilities	1,122,792	12	1,648	14,752	589	G	1,139,793

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Cont'd)

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
2018							
Revenue:							
External customers	2,220,524	-	2,286	-	-		2,222,810
Inter-segment sales	42,463	-	9,078	-	(51,541)	A	-
Total revenue	2,262,987	-	11,364	-	(51,541)		2,222,810
Results:							
Segment loss before taxation	(33,715)	(681)	(2,077)	(24,185)	(24,811)	B	(85,469)
Income tax expense	(5,045)	-	-	-	-		(5,045)
Interest income from banks	1,750	-	3	-	-		1,753
Interest expense	(43,832)	(1)	(4)	(185)	-		(44,022)
Depreciation of property, plant and equipment	(80,283)	(860)	(703)	(1)	2,063	C	(79,784)
Amortisation of land use rights	(1,069)	-	-	-	-		(1,069)
Impairment of property, plant and equipment	(40,000)	-	(1,134)	-	-		(41,134)
Gain on disposal of property, plant and equipment, net	67	-	-	-	-		67
Other non-cash expenses	(1,603)	-	17	-	-	D	(1,586)
Assets:							
Segment assets	1,211,817	3,001	11,157	1,209	(9,660)	E	1,217,524
Additions to non-current assets	37,413	-	6	10	-	F	37,429
Liabilities:							
Segment liabilities	1,193,089	12	4,938	14,062	589	G	1,212,690

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Cont'd)

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 or loss to arrive at “(loss)/profit before taxation” presented in consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Profit from inter-segment sales	2,240	1,548
Finance costs net of interest income	(39,790)	(42,269)
Impairment loss of investment in subsidiaries	-	15,910
Total	<u>(37,550)</u>	<u>(24,811)</u>

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

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

	2019 RMB'000	2018 RMB'000
Foreign currency exchange loss on borrowings from a Director	(749)	-
Amortisation of government grant	5,046	5,384
Allowance for write-down of inventories, net	(805)	(1,030)
Addition of loss allowance for doubtful trade and other receivables and the impairment, net	(5,039)	(5,940)
	<u>(1,547)</u>	<u>(1,586)</u>

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RMB'000	2018 RMB'000
Inter-segment assets	<u>(7,420)</u>	<u>(9,660)</u>

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 statement of financial position:

	2019 RMB'000	2018 RMB'000
Deferred tax liabilities	<u>589</u>	<u>589</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Cont'd)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments

	Group	
	2019 RMB'000	2018 RMB'000
Segment revenue by location of customers		
- PRC	1,949,959	2,146,650
- Overseas	92,195	76,160
	2,042,154	2,222,810
Capital expenditures by geographical location of assets		
- PRC	23,711	37,419
- Overseas	-	10
	23,711	37,429
Segment assets by geographical location of assets		
- PRC	1,036,067	1,216,315
- Overseas	208	1,209
	1,036,275	1,217,524

31. Financial instruments and financial risks

The Group's activities expose it to credit risk, market risks (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's credit risk arises mainly from bank balances and trade and other receivables. Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risks, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, but not later than when the financial asset is more than 30 days past due as per SFRS(I) 9's presumption.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risks ^{Note 1}	12-months ECL
2	Non-significant increase in credit risks since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition Note 2 or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired ^{Note 3}	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount ^{Note 4}	Written off

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Credit risk (Cont'd)

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are > 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Credit risk (Cont'd)

Trade receivables (Note 15)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last five years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the regions/countries and the growth rates of the major industries which its customers operate in.

The loss allowance for trade receivables are determined as follows:

	Current	Past due for 31 to 90 days	Past due for 91 to 180 days	Past due for 181 to 365 days	Past due more than 365 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019						
Weighted average expected credit loss rates	0.8%	0.4%	1.0%	-	96.3%	
Trade receivables (gross)	176,782	1,488	5,372	-	12,778	196,420
Loss allowance	1,424	6	55	-	12,299	13,784
31 December 2018						
Weighted average expected credit loss rates	0.3%	17.4%	19.2%	94.0%	94.0%	
Trade receivables (gross)	168,985	2,102	3,582	664	13,854	189,187
Loss allowance	469	366	688	624	12,974	15,121

In the prior financial year, allowance made related to debtors with significant financial difficulties. The management estimated the irrecoverable amounts by reference to past default experience. If repeated reminders and letters of demand to settle overdue payments fail to yield results, the Group will make allowances or write off the debts on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Credit risk (Cont'd)

Other receivables and advance paid to suppliers (Note 16)

As of 31 December 2019, the Group recorded other receivables of RMB 6,634,000 (2018: RMB 6,016,000) and advance to suppliers of RMB 16,204,000 (2018: RMB 17,099,000). The Group assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk other than the credit impaired amount of RMB 180,000 and RMB 1,190,000 (2018: RMB 180,000 and RMB 1,456,000). In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for the outlook of the industry and economy in which these debtors operate in and the factors that are specific to the debtors in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Using 12-month ECL, the Group determined that the ECL is insignificant.

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables and other receivables are as follows:

	Trade receivables		Other receivables	
	Note (i) RMB'000	Total RMB'000	Category 4 RMB'000	Total RMB'000
Internal credit risk grading				
Loss allowance				
Balance at 1 January 2018	10,637	10,637	180	180
Loss allowance (ECL) recognised	4,484	4,484	1,456	1,456
Balance at 31 December 2018	15,121	15,121	1,636	1,636
Financial assets repaid	(1,562)	(1,562)	(560)	(560)
Loss allowance (ECL) recognised	225	225	294	294
Balance at 31 December 2019	13,784	13,784	1,370	1,370
Gross carrying amount				
At 31 December 2018	195,253	195,253	23,115	23,115
At 31 December 2019	201,082	201,082	22,838	22,838
Net carrying amount				
At 31 December 2018	180,132	180,132	21,479	21,479
At 31 December 2019	187,298	187,298	21,468	21,468

Note (i) For trade receivables, the Group uses the practical expedient under SFRS(I) 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Market risks

Market risk is the risk that changes in the market price, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets, mainly cash and bank balances, and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. The Group does not use derivative financial instruments to hedge its foreign currency risk.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% (2018: 10%) increase or decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% (2018: 10%) is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2018: 10%) change in foreign currency rates. The sensitivity analysis includes external loans where they give rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% (2018: 10%) against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	United States dollar impact		Singapore dollar impact	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Group				
Loss before taxation	(99)	135	(1,284)	(1,186)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short-term borrowings.

The Group's interest rate risk relates to interest-bearing borrowings which comprise borrowings from banks and amount owing to a director. The Group's interest rate risks arise primarily from the floating rate borrowings with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Market risks (Cont'd)

Interest rate risk (Cont'd)

The following table sets out the carrying amount, by contractual maturity, of the Group's financial liabilities that are exposed to interest rate risk:

	Due within one year RMB'000	After one year to two years RMB'000	Total RMB'000
2019			
Fixed rate			
Interest-bearing loans and borrowings	190,000	398,000	588,000
Floating rate			
Interest-bearing loans and borrowings	-	4,000	4,000
2018			
Fixed rate			
Interest-bearing loans and borrowings	180,000	468,000	648,000
Interest-bearing borrowings owing to a director	9,864	-	9,864
Floating rate			
Interest-bearing loans and borrowings	-	71,390	71,390

The fixed rate interest-bearing loans and borrowings bear interest at rates ranging from 3.92% to 7.40% (2018: 1.88% to 8.64%) per annum. Interests are at fixed rates until the maturity of the instrument.

The interest rate on floating rate interest-bearing loan and borrowings was 5.0% (2018: 5.0% and 36.3%) over and above RMB Loan Prime Rate (the "LPR"), and is contractually repriced at intervals of one month.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities with floating rates at the end of the financial year and the stipulated change taking place at the beginning of the year and held constant throughout the financial year in the case of instruments that have floating rates. A 120-basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 120-basis points higher or lower and all other variables were held constant, the loss for the financial year ended 31 December 2019 of the Group and Company would decrease/increase by RMB 48,000 (2018: RMB 857,000). As at 31 December 2019, as the Group has few floating rate loans and borrowings, they are not exposed to significant interest rate risk.

The other financial instruments of the Group, except for cash at bank which bears market rate of interest, are not subject to interest rate risk.

The Group's policy is to obtain the most favourable interest rate available for its borrowings. Information relating to the Group's interest rate exposure is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

Liquidity risk is managed by matching the payment and receipt cycle. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Other investments	2,060	2,060	-	-
Trade receivables	182,636	174,066	-	-
Other receivables	21,468	21,479	19,035	48
Cash and bank balances	112,172	163,722	166	1,152
	318,336	361,327	19,201	1,200

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial liabilities				
Interest-bearing liabilities	592,000	719,390	-	-
Amount owing to a director	13,841	13,015	13,841	13,015
Amount owing to a related party	144,279	40,875	-	-
Amount owing to subsidiaries	-	-	6,346	4,120
Trade payables	266,829	304,811	-	-
Other payables	79,535	95,905	911	1,047
Lease liabilities	5,334	-	-	-
Financial liabilities at amortised cost	1,101,818	1,173,996	21,098	18,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2019				2018			
	One year or less	One to two years	Two to five years	Total	One year or less	One to two years	Two to five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Financial assets:								
Other investments	-	2,060	-	2,060	-	-	2,060	2,060
Trade and other receivables	204,104	-	-	204,104	195,545	-	-	195,545
Cash and bank balances	112,172	-	-	112,172	163,722	-	-	163,722
Total undiscounted financial assets	316,276	2,060	-	318,336	359,267	-	2,060	361,327
Financial liabilities:								
Interest-bearing liabilities	191,617	445,336	-	636,953	181,164	602,175	-	783,339
Amount owing to a director	13,841	-	-	13,841	13,089	-	-	13,089
Trade and other payables	344,058	-	-	344,058	398,328	-	-	398,328
Amounts owing to a related party	144,279	-	-	144,279	2,875	38,000	-	40,875
Lease liabilities	2,000	4,000	-	6,000	-	-	-	-
Total undiscounted financial liabilities	695,795	449,336	-	1,145,131	595,456	640,175	-	1,235,631
Total net undiscounted financial liabilities	(379,519)	(447,276)	-	(826,795)	(236,189)	(640,175)	2,060	(874,304)

The Group prepares cash flows forecast on a regular basis for its core operations to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Group considered the lines of credits are maintained to ensure the necessary liquidity is available when required.

The Company's financial liabilities at reporting date are all due within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Cont'd)

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follow:

	Note	Group	
		2019 RMB'000	2018 RMB'000
<i>Financial assets at fair value through profit or loss</i>			
Unquoted equity instrument	12	2,060	2,060
<i>Financial assets at amortised cost</i>			
Trade and other receivables	15,16	208,766	201,611
Cash and bank balances	17	112,172	163,722
		320,938	365,333
<i>Financial liabilities at amortised cost</i>			
Interest-bearing liabilities	21	592,000	719,390
Amount owing to a director	20	13,841	13,015
Trade and other payables	25,26	344,058	398,328
Amounts owing to a related party	20	144,279	40,875
Lease liabilities	24(b)	5,334	-
		1,099,512	1,171,608

32. Capital risk management

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' value.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, statutory reserves and accumulated (losses)/profits.

Management monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing loans and borrowings (including bills payable) less cash and bank balances. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Capital risk management (Cont'd)

The Group's strategy on capital management remained unchanged from the previous year, which was to maintain a gearing ratio of less than one. The gearing ratios at reporting date were as follows:

	2019 RMB'000	2018 RMB'000
Total borrowings	744,641	770,102
Less: cash and bank balances	<u>(112,172)</u>	<u>(163,722)</u>
Net debt	632,469	606,380
Total equity	<u>(103,518)</u>	4,834
Total capital	<u>528,951</u>	<u>611,214</u>
Gearing ratio	<u>1.20</u>	<u>0.99</u>

As disclosed in Note 19, the subsidiaries of the Group in PRC are required by Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial year ended 31 December 2019 and 2018.

33. Fair values of assets and liabilities

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

- (a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- (b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.
- (c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

In current year, there is no transfer between Level 1, Level 2 and Level 3 fair value measurements.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group estimates the fair value of its unquoted equity investment classified as FVTPL (Note 12) based on its share of the investee corporation's net asset value ("NAV"), which is a significant unobservable input. NAV is determined by reference to the attributable net assets of the Group's investee corporation, which is credit co-operative union corporation, based on the latest available financial information.

FVTPL are classified under Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis in the consolidated statement of financial position after initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. Fair values of assets and liabilities (Cont'd)

Valuation policies and procedures

The executive management oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The directors are responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance.

The executive management also review on an ad-hoc basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations pertaining to acquisitions and disposals are then reported to the Audit Committee and board of directors for comments and approval.

During the financial year, there is no change in the applicable valuation techniques.

34. Initial application of SFRS(I) 16 Leases

SFRS(I) 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring a lessee to adopt a single model for lessee accounting. Lessees are required, with the exception of short-term leases and leases of low value assets, to recognise at initial recognition, lease liability and right-of-use asset for a contract which is or contains a lease.

Lessor accounting under SFRS(I) 16 remains unchanged from SFRS(I) 1-17. Therefore, there is no impact to the Group as a lessor.

The details of the accounting policies under SFRS(I) 16 and SFRS(I) 1-17 are disclosed in Note 2.15.

The Group applied SFRS(I) 16 using the modified retrospective approach and recognised the cumulative effect of initial application on 1 January 2019, being the date of initial application of SFRS(I) 16. Accordingly, the comparative information presented were not restated and is presented as previously reported under SFRS(I) 1-17 and its related interpretations.

Practical expedients applied

The Group applied the following practical expedients when applying SFRS(I) 16 for the first time.

- Not to reassess whether a contract is, or contains, a lease at 1 January 2019 and instead relied on the assessment previously made using SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*;
- Not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 January 2019;
- Not to recognised right-of-use assets and lease liabilities for leases for which the underlying asset is of low value; and
- Use of hindsight for contracts which contain an option to extend or terminate a lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. Initial application of SFRS(I) 16 Leases (Cont'd)

Leases classified as operating leases under SFRS(I) 1-17

The Group previously classified its lease of land, factory premise and certain office equipment as operating leases under SFRS(I) 1-17. Under SFRS(I) 16, the Group recognised, for each lease,

- (a) a lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019; and
- (b) a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

In the determination of lease liabilities, the Group applied the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Following the recognition of the right-of-use assets, the Group tested the right-of-use assets on 1 January 2019 for impairment and concluded that the right-of-use assets show no indication of impairment.

The Group uses incremental borrowing rates at 1 January 2019 to discount the remaining lease payments at 1 January 2019 when measuring the lease liabilities. The weighted-average incremental borrowing rate applied by the Group at 1 January 2019 is 6.14% per annum.

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitment as at 31 December 2018 as follows:

	At 1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 under SFRS(I) 1-17 as disclosed in the Group's consolidated financial statements	2,397
Recognition exemption for leases of low-value assets and leases with 12 months or less of lease term at transition	<u>(558)</u>
Lease liabilities at 1 January 2019	<u>1,839</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Event subsequent to the reporting date

Outbreak of Coronavirus Disease (“COVID-19”)

As part of measures taken to curb the spread of the novel coronavirus (2019-nCoV), the Group has delayed the recommencement of operations of its manufacturing plants following the Chinese New Year holidays. These measures were taken in compliance with the advice of the local authorities in China to help in the containment of the coronavirus, with the health and safety of employees in mind. The Group is unable to ascertain when it may recommence production as the supply of corn raw materials has also been disrupted by measures taken by the Chinese government.

Subsequently the Group has received approvals from the local authorities to resume operations and will be starting production across its manufacturing plants from 5 March 2020 (save for its subsidiary in Sichuan which had stopped production completely due to poor local market conditions). In view of the uncertainty in the supply chain and labour situation, the Company expects that some time may be required before full operations are resumed, and that there may be updates to the situation as the COVID-19 situation develops.

The management is unable to assess the extent of the financial impact and is concerned about the possible prolonged duration and the extent of the disruption due to the COVID-19.

Voluntary conditional general offer

On 30 June 2020, it is announced that Starnova Pte. Ltd. (“the Offeror”), of which Mr Niu Ji Xing is the sole shareholder and the director, made a voluntary conditional general offer (“Offer”) to acquire all the issued and paid-up ordinary shares in the capital of the Company at office price of S\$0.03 per share and the Offer will remain open for acceptances by shareholders for a period of at least 28 days from the date of posting of the offer document.

The Offeror intends to make the Offer with a view of delisting and privatising the Company.

STATISTICS OF SHAREHOLDINGS

AS AT 9 JULY 2020

Issued and paid-up capital	:	\$63,219,768
Number of shares	:	594,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company does not hold any treasury shares and there are no subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shareholdings
1 - 99	2	0.10	113	0.00
100 - 1,000	37	1.80	27,390	0.00
1,001 - 10,000	876	42.50	6,538,000	1.10
10,001 - 1,000,000	1,114	54.05	93,377,100	15.72
1,000,001 and above	32	1.55	494,057,397	83.18
TOTAL	2,061	100.00	594,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 9 July 2020)

Name of shareholders	Direct interest		Deemed interest	
	No. of shares	%	No. of shares	%
Niu Ji Xing ^{(1), (2)}	7,820,700	1.32	236,925,000	39.89
Faith Corporate International Limited ⁽²⁾	236,925,000	39.89	-	-
Toh Bee Yong ⁽³⁾	104,517,595	17.59	-	-

Notes:

⁽¹⁾ Niu Ji Xing is deemed to have an interest in the 236,925,000 shares held by Faith Corporate International Limited by virtue of Section 7 of the Companies Act, Chapter 50.

⁽²⁾ The shares of Niu Ji Xing and Faith Corporate International Limited are registered in the name of Citibank Nominees Singapore Private Limited.

⁽³⁾ The shares of Toh Bee Yong are registered in the name of DBS Nominees (Private) Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 9 JULY 2020

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	No. of shares	% of shareholdings
1	CITIBANK NOMINEES SINGAPORE PTE LTD	247,425,700	41.65
2	DBS NOMINEES (PRIVATE) LIMITED	110,161,095	18.55
3	GAO ZHONGFA	22,800,000	3.84
4	WANG DEYOU	15,150,000	2.55
5	ZHANG CONGQIAO	15,000,000	2.53
6	PHILLIP SECURITIES PTE LTD	12,259,600	2.06
7	CHUA ENG ENG	10,120,002	1.70
8	IFAST FINANCIAL PTE. LTD.	7,250,000	1.22
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,515,800	0.93
10	CHEN SHUOWANG	4,837,500	0.81
11	LIM NEO SENG	4,500,000	0.76
12	TEO RAYMOND	4,100,000	0.69
13	SIM SOO THONG	3,359,900	0.57
14	RAFFLES NOMINEES (PTE.) LIMITED	3,151,700	0.53
15	PAN LIN	3,001,000	0.51
16	HE GUANGHUI	2,999,600	0.50
17	TEO POH SUAN	2,717,000	0.46
18	OCBC SECURITIES PRIVATE LIMITED	2,548,400	0.43
19	YAP ZHI QING (YE ZHIQING)	1,539,000	0.26
20	KO AH HUEY OR TEO POH SUAN	1,467,000	0.25
	TOTAL	479,903,297	80.80

FREE FLOAT

Based on the information provided to the Company as at 9 July 2020, approximately 34.8% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held by electronic means on Friday, 14 August 2020 at 10.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2019, together with the Directors' Statement and the Independent Auditors' Report.

Resolution 2

2. To re-elect Mr Niu Ji Xing, who is retiring by rotation pursuant to Article 107 of the Company's Articles of Association and who, being eligible, is offering himself for re-election as a Director.

Resolution 3

3. To re-elect Mr Teoh Teik Kee, who is retiring by rotation pursuant to Article 107 of the Company's Articles of Association and who, being eligible, is offering himself for re-election as a Director.

Mr Teoh Teik Kee will, upon re-election as a Director, remain as the Chairman of the Audit Committee and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 4

4. To approve the payment of Directors' fees of SGD140,000 and RMB150,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears (FY2019: SGD140,000 and RMB150,000).

Resolution 5

5. To re-appoint Mazars LLP as the Company's Independent Auditors and to authorise the Directors to fix their remuneration.
6. To transact any other ordinary business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

Resolution 6

7. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution, with or without modifications:-

"Authority to allot and issue shares"

That pursuant to Section 161 of the Companies Act, Chapter 50, the Articles of Association of the Company and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:-

- (A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:-

- (1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) ("**Issued Shares**"), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the total number of Issued Shares;
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this authority is given, after adjusting for:-
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and outstanding or subsisting at the time this authority is given, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (ii) any subsequent bonus issue, consolidation or sub-division of shares;
- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

[see Explanatory Note (i)]

BY ORDER OF THE BOARD

Vincent Lim
Company Secretary
Singapore
30 July 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:-

- (i) Ordinary Resolution 6 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time Ordinary Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and outstanding or subsisting at the time Ordinary Resolution 6 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and (b) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

Notes:-

General

1. The Annual General Meeting (“AGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meeting for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice and the Annual Report 2019 will not be sent to members. Instead, this Notice and the Annual Report 2019 will be sent to members by electronic means via publication on the SGX website at www.sgx.com/securities/company-announcements and on the Company’s website at luzhou.listedcompany.com.
2. Alternative arrangements relating to participation in the AGM proceedings via electronic means, submission of questions in advance of the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out below.

Participation in the AGM proceedings

3. Members who wish to observe and/or listen to the AGM proceedings must pre-register at URL: <https://sg.conveneagm.com/luzhoubiochem> by **10.30 a.m. on 12 August 2020** to enable the Company to verify their status. Pre-registrations received after the deadline will not be processed.
4. Corporate members must also submit the Corporate Representative Certificate to the Company via email at rhtcaoscar@rhtcorporate.com.
5. Following the verification, authenticated members will receive an email by 10.30 a.m. on 13 August 2020. The email will contain instructions on how to access the live audio-visual webcast and the live audio-only stream of the AGM proceedings. Members who have registered by the deadline on 12 August 2020, but do not receive an email by 10.30 a.m. on 13 August 2020, should contact the Company’s Share Registrar via email at rhtcaoscar@rhtcorporate.com and provide their full name and identification/registration number.

Submission of questions in advance

6. Members will not be able to ask questions during the AGM proceedings. Members can submit questions relating to the resolutions to be tabled for approval at the AGM, no later than **10.30 a.m. on 12 August 2020**, in the following manner:
 - (a) via the pre-registration website at URL: <https://sg.conveneagm.com/luzhoubiochem>;
 - (b) by post to the office of the Company’s Share Registrar, RHT Corporate Advisory Pte. Ltd., at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or
 - (c) by electronic mail to rhtcaoscar@rhtcorporate.com.

If the questions are submitted by post or electronic mail, the member’s full name and identification/registration number must be included for verification purposes, failing which the submission will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

7. The Company will address substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM either before or at the AGM. Where the questions are addressed before the AGM, the Company will publish the responses to the questions on SGXNet and the Company's website.

Voting by proxy

8. Members (whether individual or corporate) who wish to exercise their voting rights at the AGM must appoint the Chairman of the Meeting as their proxy to vote on their behalf at the AGM. The proxy form for the AGM is available on the SGX website at www.sgx.com/securities/company-announcements and on the Company's website at luzhou.listedcompany.com.
9. Where members appoint the Chairman of the Meeting as their proxy, they must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
10. Investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50)) (including those who hold shares under the Central Provident Fund Investment Scheme and/or the Supplementary Retirement Scheme) and who wish to appoint the Chairman of the Meeting as proxy to vote must approach their respective relevant intermediaries (including CPF Agent Banks or SRS Operators) to submit their voting instructions by **4 August 2020**, to enable their respective relevant intermediaries to submit proxy forms on their behalf not later than **10.30 a.m. on 12 August 2020**.
11. The Chairman of the Meeting, as proxy, need not be a member of the Company.
12. A member who wishes to submit an instrument of proxy appointing the Chairman of the Meeting as proxy must first download, complete and sign the proxy form, before submitting it:
 - (a) by post to the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or
 - (b) by electronic mail to rhtcaoscar@rhtcorporate.com,

in either case, to be received not later than **10.30 a.m. on 12 August 2020**, failing which the proxy form will be treated as invalid.

Personal data privacy:-

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Niu Ji Xing and Mr Teoh Teik Kee are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 14 August 2020.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST relating to the Directors is set out below:

	Mr Niu Ji Xing	Mr Teoh Teik Kee
Date of Appointment	17 November 2004	13 May 2005
Date of last re-appointment	28 April 2017	28 April 2017
Age	51	61
Country of principal residence	People's Republic of China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company, having considered, among others, the recommendation of the Nominating Committee ("NC") and the qualifications, work experience and competencies of Mr Niu Ji Xing, is of the view that Mr Niu is suitable for re-appointment as Director of the Company.	The Board of Directors of the Company, having considered, among others, the recommendation of the NC and the qualifications, work experience and competencies of Mr Teoh Teik Kee, is of the view that Mr Teoh is suitable for re-appointment as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for formulating the business strategies and investments of the Group, as well as its overall management.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Group Chief Executive Officer	Lead Independent Director, Chairman of Audit Committee and Remuneration Committee, Member of Nominating Committee
Professional qualifications	Certificate in Economic Management, Shandong Economic Management Institute	Bachelor of Science (Honours) degree in Managerial and Administrative Studies, Aston University, Birmingham, United Kingdom
Working experience and occupation(s) during the past 10 years	2004 to present: Executive Chairman and Group Chief Executive Officer of Luzhou Bio-chem Technology Limited	2010 to present: Director of Concordia Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Direct interest in 7,820,700 shares and deemed interest in 236,925,000 shares of the Company.	Direct interest in 187,500 shares of the Company.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Niu Ji Xing	Mr Teoh Teik Kee
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries)	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Other Principal Commitments Including Directorships

Past (for the last 5 years)	None	City e-Solutions Ltd Hwang Capital (Malaysia) Berhad
Present	<p>Luzhou Bio-chem Technology (Shaanxi) Co., Ltd.</p> <p>Luzhou Bio-chem Technology (Sichuan) Co., Ltd.</p> <p>Luzhou Bio-chem Technology (Liaoning) Co., Ltd.</p> <p>Luzhou Bio-chem Technology (Shandong) Co., Ltd.</p> <p>Luzhou Bio-chem Technology (Henan) Co., Ltd.</p> <p>Shandong Hongzhou Chemical Equipment Co., Ltd.</p> <p>Shandong Luzhou Amino Acid Co., Ltd.</p> <p>Xinjiang Luzhou Bio-chem Technology Co., Ltd.</p> <p>Linyi Yi Liang Trading Co., Ltd.</p> <p>Faith Corporate International Limited</p> <p>Singanova Pte. Ltd.</p> <p>Starnova Pte. Ltd.</p> <p>Shandong Luzhou Food Group Co., Ltd.</p> <p>Fushun Luzhou Amylum Sugar Products Co., Ltd.</p> <p>Shaanxi Xingping Luzhou Sugar Products Co., Ltd.</p>	<p>Concordia Pte Ltd</p> <p>Peeka Strategic Pte. Ltd.</p> <p>Summervale Properties Pte. Ltd.</p> <p>Renalteam Holdings Pte. Ltd.</p> <p>Montessori Stangee Pte. Ltd.</p> <p>Taiji International (S) Pte. Ltd.</p> <p>Reddot Academy Pte. Ltd.</p> <p>Green 18 Pte. Ltd.</p> <p>Asia Digital Doctor Pte. Ltd.</p> <p>Eton LQ Education International Pte. Ltd.</p> <p>Camelot Mamacare Pte. Ltd.</p> <p>Reddot Digital Pte. Ltd.</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Niu Ji Xing	Mr Teoh Teik Kee
INFORMATION REQUIRED		
If the answer to any question is “yes”, full details must be given		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Niu Ji Xing	Mr Teoh Teik Kee
INFORMATION REQUIRED		
If the answer to any question is "yes", full details must be given		
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

ANNUAL GENERAL MEETING PROXY FORM

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200412523N)

IMPORTANT

1. The Annual General Meeting (“AGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meeting for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM and the Annual Report 2019 will not be sent to members. Instead, the Notice of AGM and the Annual Report 2019 will be sent to members by electronic means via publication on the SGX website at www.sgx.com/securities/company-announcements and on the Company’s website at luzhou.listedcompany.com.
2. Due to the current COVID-19 situation, a member will not be allowed to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
3. Investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50)) (including those who hold shares under the Central Provident Fund Investment Scheme and/or the Supplementary Retirement Scheme) and who wish to appoint the Chairman of the Meeting as proxy to vote must approach their respective relevant intermediaries (including CPF Agent Banks or SRS Operators) to submit their voting instructions by **4 August 2020**, to enable their respective relevant intermediaries to submit proxy forms on their behalf not later than **10.30 a.m. on 12 August 2020**.

I/We, _____ (Name) _____ (NRIC/Passport/Registration No.)

of _____ (Address)

being a member/members of LUZHOU BIO-CHEM TECHNOLOGY LIMITED (the “Company”) hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held by electronic means on Friday, 14 August 2020 at 10.30 a.m., and at any adjournment thereof. I/We direct the Chairman of the Meeting to vote for or against the resolutions to be proposed at the AGM or to abstain from voting, as indicated hereunder.

No.	Resolutions relating to:	For	Against	Abstain
1.	Audited financial statements for financial year ended 31 December 2019			
2.	Re-election of Mr Niu Ji Xing as a Director			
3.	Re-election of Mr Teoh Teik Kee as a Director			
4.	Approval of Directors’ fees of SGD140,000 and RMB150,000			
5.	Re-appointment of Mazars LLP as Independent Auditors			
6.	Authority to allot and issue shares			

(Please indicate with a cross [X] in the space provided whether you wish to cast your votes for or against or to abstain from voting on the resolution as set out in the Notice of AGM. Alternatively, if you wish to exercise your votes both for and against the resolution and/or to abstain from voting on the resolution, please indicate the number of shares in the respective spaces provided.)

Dated this _____ day of _____ 2020

Total number of shares held:	
------------------------------	--

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

ANNUAL GENERAL MEETING PROXY FORM

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. A member will not be allowed to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

Where a member appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in this proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50)) (including those who hold shares under the Central Provident Fund Investment Scheme and/or the Supplementary Retirement Scheme) and who wish to appoint the Chairman of the Meeting as proxy to vote must approach their respective relevant intermediaries (including CPF Agent Banks or SRS Operators) to submit their voting instructions by **4 August 2020**, to enable their respective relevant intermediaries to submit proxy forms on their behalf not later than **10.30 a.m. on 12 August 2020**.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. A member who wishes to submit an instrument of proxy appointing the Chairman of the Meeting as proxy must first download, complete and sign this proxy form, before submitting it:
 - (a) by post to the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or
 - (b) by electronic mail to rhtcaoscar@rhtcorporate.com,

in either case, to be received not later than **10.30 a.m. on 12 August 2020**.

5. This proxy form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
6. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
7. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 30 July 2020.



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

8 Burn Road

#07-09

Trivex

Singapore 369977

Tel : (65) 6225 0148

Fax : (65) 6225 1147

www.luzhou.sg