DRIVING QUALITY DELIVERING VALUE

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Annual Report 2009

CONTENTS

A 20 year track record of success

Established in 1988 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in February 2006, Luzhou Bio-chem 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").

Huge annual production capacity

Luzhou has strategically increased its production capacity by 60% since 2006, and currently maintains a total production capacity of 1,040,000 tonnes per annum through six production facilities in the PRC. These include two production facilities in Yishui, Shandong Province, and one each in 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. With one exception, all of them straddle key corn producing provinces in China 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, corn oil and amino acids.

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 capacity production 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), Hubei Wangwang Food Co., Ltd (湖北旺旺食品有限公司), Henan Lian Hua Tian An Food Co., Ltd. (河南莲花天安食业有限公司) and Henan Lian Hua Weijing Co., Ltd (河南莲花味精股份有限公司).

PREMIUM EXPERTISE

Placing well-founded emphasis on research and development, we are constantly at the forefront in the manufacture of corn process products, acclaiming high quality standards. Luzhou's strength lies in its ability to deliver products of the highest quality for our customers.

Dear Shareholders,

On behalf of the Board of Directors of Luzhou Bio-Chem Technology Limited ("Luzhou"), I am pleased to present to you the Group report and financials for the year ended 31 December 2009 ("FY2009").

Overview

We experienced a challenging first half of FY2009 that saw overall market demand for our corn sweeteners and related products continue to remain weak, partly due to the lingering uncertainties caused by the melamine-tainted milk scandal in the People's Republic of China (PRC), and partly due to the financial crisis that impacted the domestic and global economies since the end of 2008.

However, encouraging signs of a market recovery were evident in the second half of 2009, driven largely by concerted efforts from governments and central banks to introduce monetary policies and fiscal stimulus initiatives to help rejuvenate their respective local economies. Cane sugar prices began firming from the beginning of the year, but the positive second half sentiment prompted a turnaround in demand for corn sweeteners and related products, a rebound that we managed to capitalize on only in the last quarter of FY2009 given the internal management reshuffling challenges that hampered our operations in quarter three.

Financials

Because of the dampening market effects in the first half of FY2009, the Group returned with lower total revenue of RMB 2,369.0 million, a decrease of 8.7% as compared to RMB 2,594.2 million the previous year. Correspondingly, we posted a net loss before tax of RMB 12.9 million, from net profit before tax of RMB 1.3 million for FY2008. Loss per share for the year was 3.2 RMB cents versus earnings of 0.4 RMB cents for FY2008, while net tangible assets backing per ordinary share was 114.0 RMB cents as at 31 December 2009 against 117.2 RMB cents the year before. At the close of the financial year, our cash position was RMB 66.8 million compared to RMB 104.4 million in FY2008.

On a brighter note, our revenue and profit contributions toward the end of FY2009 improved in tandem with the global upturn. The Group's revenue solely for the fourth quarter of FY2009 increased by 41.0% year-on-year to RMB 811.4 million, a trend largely due to the increase in sales volumes and higher selling prices for our corn refining products as a result of firming cane sugar prices.

Operations

Our 300 tonne/year amino acid plant commenced production in the second quarter of the year but several operational bottlenecks, including a waste water treatment matter which is being resolved, saw lower capacity utilization than expected for the plant. However, the commencement of our thermoelectricity generator in our Shaanxi facility in the first quarter, as well as the completion of plant and production line upgrading in the third quarter has geared up our production scope and stands us in good stead to capitalise on anticipated demand for corn sweeteners, amino acids, animal feeds and corn oil as a result of the global upturn.

Overall, our operations, namely our plants and facilities in Shandong, Sichuan, Liaoning, Shaanxi and Henan, are now able to produce more than one million tonnes of corn sweeteners per annum. However, the highly competitive business climate in the PRC continues to exert both pricing and margin pressures on our business. During the year, we continued to identify new international markets for our products to reduce our dependence on demand from the PRC. To date, we have already begun engaging new customers as far away as Serbia, Mauritius, Dominica, Trinidad and Tobago and Columbia. This bodes well for the Group as we ramp up production to meet this demand.

Outlook

Encouraging signs point to further recoveries in both the global and domestic economies, a trend that will provide the Group with several potential opportunities in the year ahead. Firstly, cane sugar prices are expected to remain firm due to a global supply shortage, a positive factor for corn sweetener producers like us. At the same time, our downstream manufacturers are expected to leverage this recovery to improve their own production activities, leading to improved sales of their products. This again benefits the Group as it stimulates higher demand for our corn products.

The PRC government's efforts to encourage greater carbon emissions reduction will put small-to-medium-scale corn refiners under greater pressure, because stricter environmental requirements mean they have to incur higher operating costs. This creates a higher barrier to entry, eliminating smaller producers and providing more opportunities for market leaders like Luzhou. However, despite rising production and raw material costs in the immediate term, continued strong cane sugar prices will encourage many of these small-to-medium sized corn refiners to revive and raise production, increasing industry capacity and leading to more intense price competition.

The Group will continue to stay vigilant to the prevailing competitive market situation, and will continue to focus on our strategy to improve the capacity utilization of our plants in order to enhance our overall production efficiency. That said, we are cautiously optimistic about our long term prospects and, barring unforeseen circumstances, expect a better financial performance going forward.

Acknowledgements

Finally, on behalf of the Board of Directors, I would like to express our gratitude to all our customers, business associates and shareholders for their continued support of Luzhou over the year. I would also like to personally thank our Board, management team and staff for their commitment to the Group. We look forward to their continued support as we continue to drive the Group forward in the year ahead.

Mr Niu Ji Xing
Executive Chairman

尊敬的各位股东

在此很高兴代表董事会向各位呈交鲁洲生物科技有限公司2009财年财务业绩及报告。

概述

我们在2009年上半年的经营环境依然是具有挑战性的，因为玉米淀粉糖系列产品的整体市场需求依然疲软，一部分原因是中国的三聚氰胺奶制品事件造成的不确定性影响依然存在，另一方面的原因是自2008年以来对全球经济造成较大影响的经济危机。

但是，在2009年下半年已有明显的市场恢复迹象，这主要受益于政府和中央银行为恢复各自经济而协调实施的各项货币政策和财政激励政策。蔗糖价格从年初便开始上涨，下半年的市场情绪也比较有利，这促使玉米淀粉糖系列产品的市场需求好转，但是我们的业绩好转是从09年第4季度才开始的，原因是在第3季度实施的内部管理层改组妨碍了公司运作。

财务状况

受2009年上半年市场不景气的影响，集团09年总销售收入为人民币2369.0百万元，比去年同期（人民币2594.2百万元）下降8.7%。相应地，公司税前净亏损人民币12.9百万元，而2008年税前净利润为人民币1.3百万元。09年每股损失为人民币3.2分，而08年每股收益为人民币0.4分。此外，截至2009年12月31日的每股有形资产净值为人民币114.0分，而去年同期为人民币117.2分。在本财年末，我们的现金余额为人民币66.8百万元，而去年同期为人民币104.4百万元。

随着全球经济的恢复，我们在2009年年末的销售收入和利润有显著提高。集团2009年第4季度销售收入比去年同期提高41%，达人民币811.4百万元，主要归因于蔗糖价格上涨引起玉米制品的销量和售价提高。

经营状况

我们的氨基酸公司于本年度第2季度开始生产，年产能300吨，但是存在一些经营瓶颈，这包括正在解决的废水处理，以及产能利用率低于预期。然而，随着陕西公司热电车间在一季度开始运营，车间和生产线升级改造在第三季度完成，我们的生产范围得以扩大，同时也有利于我们利用全球经济好转可能带来的玉米淀粉糖、氨基酸、动物饲料及玉米油产品市场需求增加。

总的来说，我们在山东、四川、辽宁、陕西和河南的生产工厂可年产玉米淀粉糖1百万吨以上。但是，中国激烈的业务竞争环境持续对我们的产品价格和利润造成不利影响。在本年度，我们一方面保障现有国内市场需求，另一方面努力开发新的国际市场，争取在国际市场上获得更多业务发展机会。到目前为止，我们已经开始争取国际上的一些新客户，这些客户远至塞尔维亚、毛里求斯、多米尼加、特立尼达和多巴哥以及哥伦比亚。有了这些新市场，集团便可以通过提高产量，来满足这些新增需求。

前景

一些有利迹象显示，国内外经济将进一步恢复，这种趋势将为集团来年发展提供一些潜在机会。首先，由于全球性蔗糖供给短缺，预计蔗糖价格会继续坚挺，这对我们这些玉米淀粉糖制造商来说是一个积极因素。同时，预计我们的下游制造商会利用此次经济恢复来改善和提高他们自己的生产业务，进而提高其产品销量。这将促使玉米制品的市场需求增加，有利于集团发展。

中国政府鼓励减少碳排放量，发展低炭经济，这将使中小型玉米制造商面临较大压力，因为环保要求提高意味着他们的运营成本必将增加。这便提高了此行业的进入门槛，淘汰小型制造商，为像鲁洲这样的市场领航企业提供更多发展机会。但是，虽然制造费用和原材料成本上升，但是，蔗糖价格的持续坚挺将促使很多中小型玉米制造商恢复并扩大生产，行业产能会随之提高，价格竞争会更加激烈。

集团将继续警惕主要市场竞争状况，继续致力于提高产能利用率的策略，以提高整体生产效率。也就是说，我们对长期发展前景是谨慎乐观的，预期以后的财务业绩会转好，除非有不可预见因素发生。

感谢语

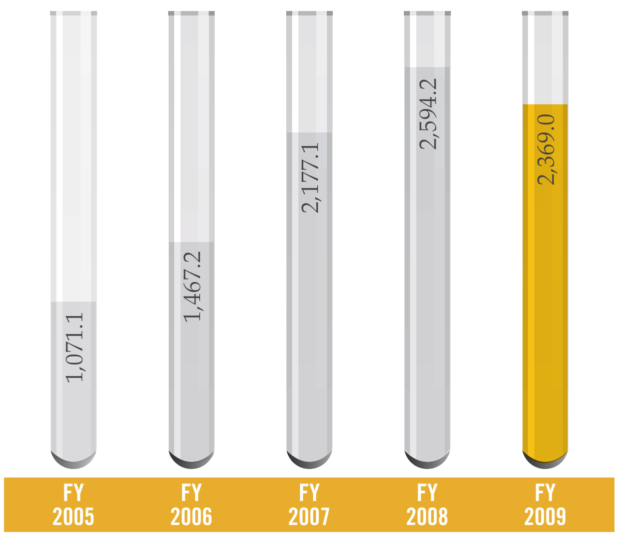
最后，我代表董事会感谢所有客户、业务合伙人和股东在过去一年对鲁洲的大力支持。同时，我本人也在此感谢公司董事会、管理层团队和员工对集团发展做出的贡献。我们期待您的继续支持，携手为集团发展共同努力。

牛继星先生
执行主席

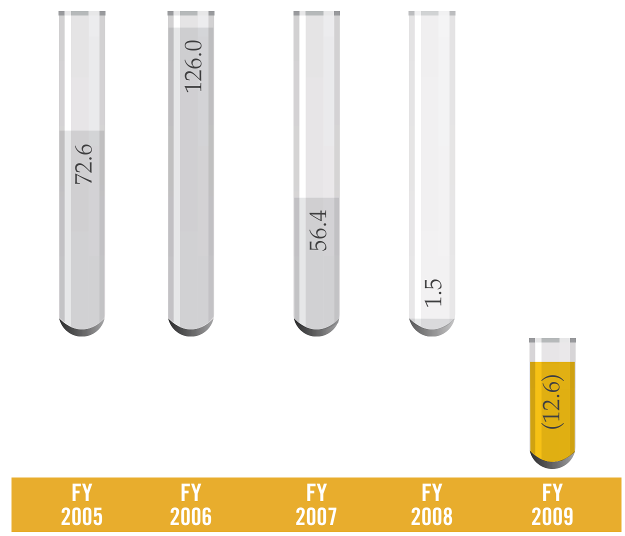
FINANCIAL HIGHLIGHTS

	2009 RMB million	2008 RMB million	2007 RMB million	2006 RMB million	2005 RMB million
Revenue	2,369.0	2,594.2	2,177.1	1,467.2	1,071.1
Earnings Before Interests, Tax, Depreciation and Amortisation ("EBITDA")	100.9	110.5	153.0	178.6	106.4
Net (Loss) / Profit Before Tax	(12.9)	1.3	54.9	126.8	72.6
Net (Loss) / Profit After Tax and Minority Interest ("PATMI")	(12.6)	1.5	56.4	126.0	72.6
Net (Loss) / Profit Margin (%)	(0.6)	0.05	2.6	8.6	6.8
Revenue by Operating Segments (%)					
- Corn Refining	89.2	94.6	99.4	99.8	100.0
- Animal Feed	9.9	5.2	–	–	–
- Others	0.9	0.2	0.6	0.2	–
	100.0	100.0	100.0	100.0	100.0
Revenue by Geographical Segments (%)					
- PRC	91.6	87.1	87.0	86.8	87.3
- Other Countries	8.4	12.9	13.0	13.2	12.7
	100.0	100.0	100.0	100.0	100.0
At Year End (RMB million)					
Net Current Assets	(49.2)	(5.4)	114.6	78.4	14.6
Total Assets	1,337.6	1,319.4	1,268.3	956.6	478.3
Total Equity	497.5	511.8	530.3	336.9	114.0
Total Liabilities	840.1	807.6	738.0	619.7	364.3
Cash and Cash Equivalents	66.8	104.4	75.4	77.8	94.3
Per Share (RMB cents)					
(Loss) / Earnings per Share	(3.2)	0.4	14.3	36.6	27.9
Net Tangible Asset per Ordinary Share	114.0	117.2	125.4	93.6	43.8
Dividend per Share	–	–	6.8	6.8	4.1
Returns (%)					
Return on Revenue	(0.60)	0.05	2.60	8.60	6.80
Return on Shareholders' Equity	(2.88)	0.25	10.60	37.40	63.70
Return on Total Assets	(1.07)	0.10	4.40	13.20	15.20
Ratios					
- Inventory Turnover	32	31	44	42	28
- Trade Receivables	18	17	15	12	11
- Trade Payables	30	25	27	32	37
- Debt to Equity Ratio (Times)	0.98	0.96	0.80	1.00	1.60

REVENUE (RMB Million)



NET (LOSS) / PROFIT AFTER TAX AND MINORITY INTEREST (RMB Million)



REVENUE BY OPERATING SEGMENTS

FY 2009

Corn Refining	89.2%
Animal Feed	9.9%
Others	0.9%

REVENUE BY GEOGRAPHICAL SEGMENTS

FY 2009

PRC	91.6%
Other Countries	8.4%

DIVERSIFIED STRENGTH

Recognized as one of China's leading large-scale corn refiner, we manufacture a wide range of corn sweeteners and related products for an extensive client base across multiple industries both domestically and globally.

2009 was a challenging year for Luzhou Bio-Chem Technology Limited ("Luzhou"). Straggling market uncertainties from the melamine scandal in the PRC were further exacerbated by the global financial crisis that took its toll on businesses at the end of FY2008 and spilled over into the first half of FY2009.

The second half of the year started more positively with monetary policies and fiscal stimulus initiatives implemented by many countries to support their respective local economies. This, in turn, helped rejuvenate demand for corn sweeteners and related products, a trend which the Group duly capitalized on, albeit only in the fourth quarter due to internal management reshuffling challenges that it encountered in quarter three.

The first half of FY2009 saw lower average prices and sales volumes of our core products as compared to the corresponding period in FY2008. These were mainly due to the ravaging effects of the global financial crisis and its impact on the market confidence of the Group's downstream manufacturers.

Consequently, the lower sales volumes and prices caused revenue to decline which affected our full year financial performance. For FY2009, Luzhou's total revenue was RMB 2,369.0 million, 8.7% lower than revenue of RMB 2,594.2 million in FY2008. The Group recorded a net loss before tax of RMB 12.9 million against net profit before tax of RMB 1.3 million for FY2008.

Positive sentiment in the second half of FY2009 saw average corn prices surge in the third quarter and stabilize in quarter four. The economic recovery and firmer cane sugar prices also pushed our sales volumes and prices higher in the fourth quarter as compared to the first three quarters where revenues declined due to poorer sales and weaker prices of our core products.

Group revenue rose 41% in the fourth quarter of FY2009 as compared to the corresponding period in FY2008. Group gross margins, which were affected in the third quarter due partly to the Group's insufficient stock-up of inventory against rising corn prices which rose at a faster rate than product prices, improved significantly in quarter four. The significant recovery in gross margins was due to the stronger recovery in revenues against the slower increase in cost. Higher sales volumes also led to an increase in capacity utilization of its plants and this brought down the Group's per unit fixed production cost.

To improve the available capacity and efficiency of its production facilities, the Group committed RMB 88.6 million in capital expenditure during the year, not only to set up new production lines for amino acids, but also to upgrade its existing production lines, and for the construction of its new thermoelectricity generator in its Shaanxi plant.

Consequently, its Shaanxi thermoelectricity generator began operations in the first quarter of FY2009, while its new amino acid facility commenced production in the second quarter. The Group also completed other plant upgrading works in its Shaanxi production facility in quarter three.

With the upgrading, the Group has improved its capacity utilisation to meet rising demand for its products brought on by the upturn in the global economy. In addition to its corn sweetener production capacity of one million tonnes per annum, it is now also able to produce 300 tonnes per annum of amino acids, 180,000 tonnes per annum of animal feed as well as 30,000 tonnes per annum of corn oil.

Going forward, the PRC government is expected to continue adopting its corn stockpiling mechanisms, to ensure stable growth in local corn production by improving farming incomes. With demand for corn expected to rise in tandem with the strong economic recovery and the impact of anticipated 2010 inflationary pressures, corn prices are expected to continue to remain firm.

Cane sugar prices have also been rising since the beginning of FY2009 and are expected to remain firm due to supply shortages. The current drought conditions in Yunnan and Guangxi for example, will put more pressure on cane sugar supply. This bodes well for our products, which will continue to see higher demand due to a stronger substitution effect arising from firmer cane sugar prices.

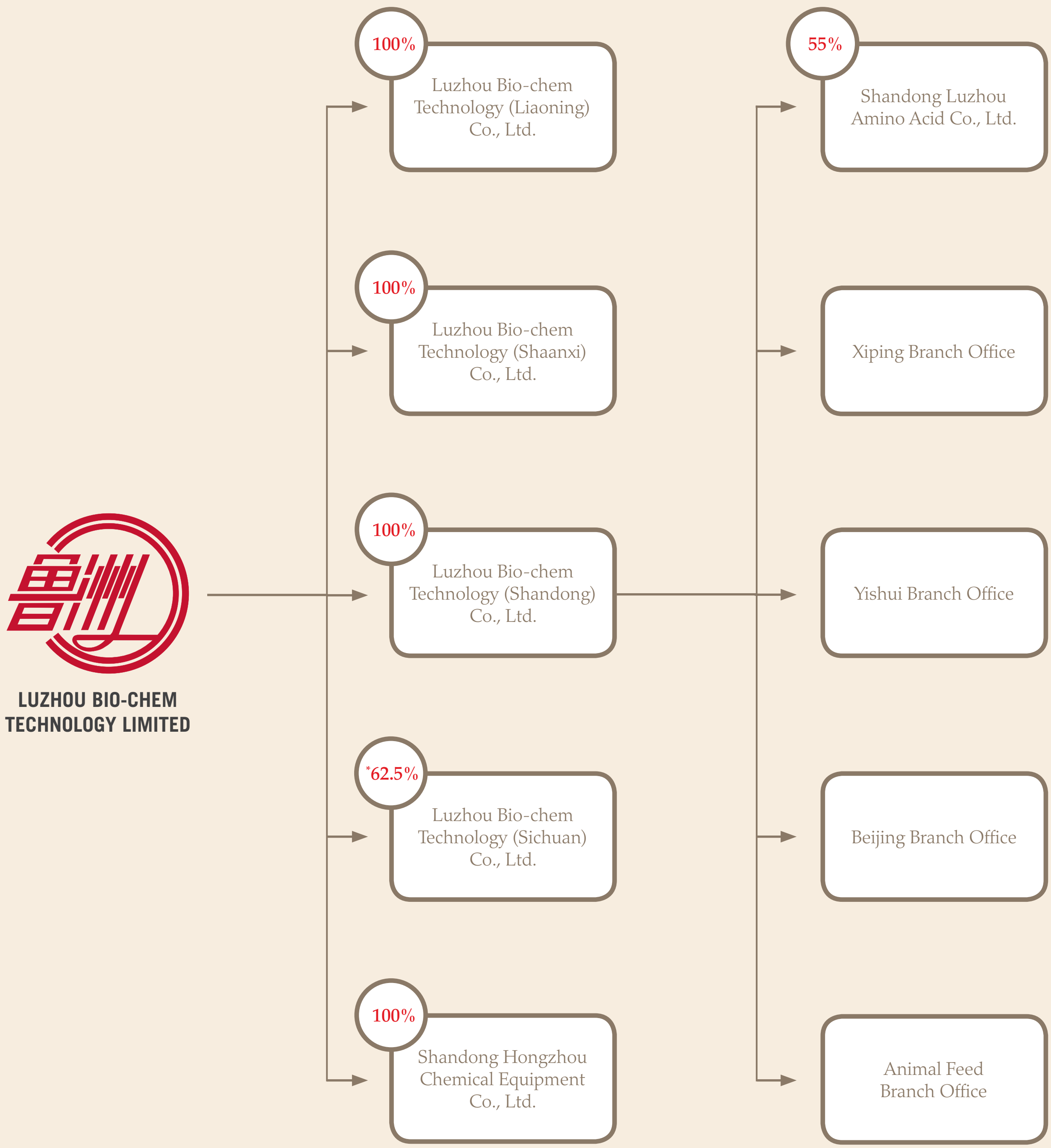
In the year ahead, more intense margin pressures will become evident, the result of keener market competition, increasingly volatile global currencies and exchange rates, as well as volatile commodity and raw material prices. In this regard, Luzhou plans to continue enhancing the value and quality of its products by improving product differentiation and leveraging on its vast experience in the industry.

Among other things, it is planning to rebalance its existing product mix and develop more relevant products that are more competitive and can derive better margins. It also plans to enhance its export with competitive pricing and work with leading market players to derive mutual synergies that will strengthen its competitive position in its target markets.

As always, it continues to be vigilant to the prevailing business sentiment, ensuring it stays viable by optimising its processes, streamlining operational costs and improving business productivity. With these strategies in place, the Group is cautiously optimistic that it will continue to build on its business growth from the last quarter of FY2009, to achieving a stronger business performance for FY2010.

QUALITY SOLUTIONS

Luzhou's selection of corn sweeteners and related products are used in a variety of applications from pharmaceutical to food and beverages and animal feed produce. We strive to develop cost effective solutions and high value premium products for our customers.



** The paid up share capital of Luzhou Bio-chem Technology (Sichuan) Co., Ltd is RMB 96.0m, of which the Company holds 37.2% (RMB 35.7m) and Luzhou Bio-chem Technology (Shandong) Co., Ltd holds 25.3% (RMB 24.3m).*

PRODUCTS & APPLICATIONS

Niu Ji Xing is our Founder and Executive Chairman. He is responsible for formulating the business strategies and investments of our Group, as well as for its overall management. Mr. Niu has more than 10 years of experience in the corn refining industry in PRC. Prior to joining our Group, he was the Board Chairman of the Shandong Luzhou Food Group of China, which comprises a group of enterprises including Shandong Luzhou,Liaoning Luzhou, Shaanxi Luzhou and Hunan Taoyuan. 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 the Vice Director of the CFIA, standing Director of the China Food Industry Association (中国食品工业协会),Vice Chairman of the 5th Council of China Food Industry Association (sweeteners) (中国食品工业协会糖果专业委员会第五届理事会) and a member of the National Food Industry Enterpreneurs'Council (全国食品工业企业家委员会).

Gao Zhong Fa is our Executive Director. Mr. Gao is primarily responsible for overseeing and managing Group's matters in relation to the local government . He has more than 15 years of experience in the food industry, particularly in the area of operations in 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 Institution (山东经济管理干部学院) in July 1996. He is also a committee member of the Shandong Linyi Political Consultative Conference (山东省临沂市政治协商会议) and is recognised 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者).

Wang De You is our Executive Director and Group Deputy General Manager (Production, Research and Development). Mr. Wang has more than 15 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 also a deputy general manager at Shandong Luzhou Food Product Factory from 1998 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. He is presently the Vice Chairman of the CFIA (starch confectionery branch), standing Director of the CFIA and the standing Director of the First Council LinyiGrain Association (临沂市粮食行业协会第一届理事会).

Teoh Teik Kee is our Lead Independent Director and is currently an executive of ecoWise Holdings Limited where he is involved in corporate planning, strategy implementation as well as mergers and acquisitions activities.

Mr Teoh is a Chartered Accountant by training, and has worked with KPMG Peat Marwick McLintock in London and PricewaterhouseCoopers in Singapore. 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.

He also serves as an independent director on the board of Singapore listed company, Great Group Holdings Limited and Hong Kong listed company, City e-Solutions Ltd.

Kong Xiang Chao is our Independent Director. Prior to joining our Group, 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 them 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 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, listed on the SGX-ST and HK EX.

Zhang Ke is the General Manager of our Group's Animal Feed Branch Office and is primarily responsible for the entire operations of the Branch Office. He started his career with Shandong Luzhou in April 1997 as a sales supervisor. From 1999 to 2000, he was the sales manager for Shandong Luzhou. From 2000 to 2004, he was the Deputy General Manager for Shandong Luzhou before promoting to General Manager of Hunan Taoyuan. In 2005, he was the General Manager of Luzhou Bio-chem Technology (Shaanxi) Co., Ltd, thereafter he was the Group Deputy General Manager (Administration and Human Resource) before assuming the current position.

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

Wang Du Huai is our Chief Financial Controller, and is responsible for the accounting, reporting and other financial functions of our Group. He has more than 15 years of working experience in Multi National Corporation (MNC) in China, of which, 10 years in middle to fairly senior managerial positions in finance, accounting, and deal desk & deal management with MNC's joint venture/China headquarter including Johnson & Johnson, Lafarge and CISCO Systems. His area of expertise is in accounting and finance operations; financial management, finance business control, managerial decision support and deal risk management. He joined the Group as Chief Financial Controller in July 2009.

He obtained a Bachelor of Science degree from North-West University (China) and a Master of Economy from the Financial Institute of Xian Communication University (China).

Niu Ji Chao is our Chief Engineer. He is responsible for overseeing the technical aspects of our operations and other engineering related works. 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, he had been the deputy general manager and chief engineer of Shandong Luzhou from February 2003.

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.

Koh Pee Keat joined our Group as Director, Corporate Finance. He is responsible for our corporate finance function including its funding needs. His responsibility includes matters relating to ongoing compliance and reporting requirements. He has over 17 years of banking experience in DBS Bank in the area of trade finance, international banking, individual banking and enterprising 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 affairs. Prior to joining our Group, he was the senior vice president/ Chief Finance Officer of Westcomb Financial Group Limited overseeings its Group's finance function and operation. Pee Keat holds a Bachelor of Arts (Honours) degree with majors in Accounting and Financial Management from the University of Sheiffield.

Mao De Qing is the General Manager of our Yishui Branch Office, and is responsible for the entire operations of the Branch Office. He started his career at Shandong Yishui Luzhou Food Product Factory in May 1997 before joining Liaoning Luzhou as general manager later in that year. In 2000, he joined Shandong Yishui Luzhou Food Product Pte. Ltd. as operations manager and was later promoted to general manager. He worked as a department manager of Shandong Luzhou from 2001 to 2003 before he joined Liaoning Luzhou as general manager in 2003. Prior to assume current post, Mao De Qing had assumed the post of deputy general manager of Shandong Luzhou from September 2004 and then the post of Group Deputy General Manager (Sales and Supply). He has received formal education up to pre-University level.

CORPORATE INFORMATION

Board of Directors

Niu Ji Xing *(Executive Chairman)*
Gao Zhong Fa *(Executive Director)*
Wang De You *(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

Tan Chee How, ACIS

Registered Office

88 Amoy Street
Level Three
Singapore 069907

Singapore Office

18 Jalan Masjid
#02-09 Kembangan Plaza
Singapore 418944
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

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

Auditors

Mazars LLP
133 Cecil Street #15-02
Keck Seng Tower
Singapore 069535
Partner in charge: Mr Choo Chai Leong (appointed 2007)

Legal Advisor

Loo & Partners LLP
88 Amoy Street
Level Three
Singapore 069907

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

Hudson Teh
Email: hudsonteh@luzhoufood.com

The Board of Directors (the "Board") of Luzhou Bio-chem Technology Limited (the "Company") recognises that adherence to the guidelines strongly recommended by the Singapore Code of Corporate Governance 2005 (the "Code") would establish good corporate governance practices and offer a high standard of accountability to the shareholders of the Company.

This report sets out the corporate governance practices adopted by the Company in line with the principles of the Code and explanation will be provided if there is any deviation from the Code.

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2009, the Company has generally aligned with the principles and guidelines as set out in the Code, save as otherwise explained below.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with the management of the Company (the "Management") to achieve this and the Management remains accountable to the Board.

The Board comprises six directors, which include three executive directors and three independent directors, all of whom are from different disciplines and expertise. Their diverse skills and experiences enable them to contribute effectively to the Company.

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

- 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; and
- Approving the release of the group's quarterly, half-year and full-year financial results and related party transactions of a material nature.

The Board has established three Board committees, namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to administer and facilitate the execution of their respective responsibilities. These committees operate within clearly defined terms of reference.

The Board will meet on a quarterly basis and ad-hoc Board meetings will be convened as and when circumstances require. During 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 allows Board meetings to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

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. The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

Executive Directors

Niu Ji Xing	Executive Chairman
Gao Zhong Fa	Executive Director
Wang De You	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 more than one-third of the Board. The Board has adopted the Code's criteria of an independent director in its review. An "independent" director is one who has no relationship with the company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment with a view to the best interests of the company. The Board is of the view that all independent non-executive directors have satisfied the criteria of independence. The independence of each independent director is reviewed annually by the NC.

The composition of the Board will be reviewed annually by the NC to ensure that there is an appropriate collective of expertise and experience.

The independent directors also communicate regularly to discuss related matters.

The profiles of the directors are also set out in this Annual Report. The Board considers the current Board size appropriate for the nature and scope of the Group's operations.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr. Niu Ji Xing is the Executive Chairman of the Company and bears executive responsibility for the Group's business performance. He also shoulders the role as a Chief Executive Officer ("CEO"), overseeing the day-to-day management of the business, including operations and the execution of business strategies. In addition, Mr. Niu continues to be responsible on scheduled meetings to be conducted as and when required, setting the agenda for the Board meetings and ensure the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders.

In addition to the above, 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 exercise unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC comprises the following members:

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

Mr Ong Wei Jin and Mr Teoh Teik Kee are independent directors.

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 all Board appointments and re-nominations having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour);
- Ensuring that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- Determining annually whether a director is independent in accordance with paragraph 2.1 of the Code;
- Formulating and deciding whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations; and
- Assessing the effectiveness of the Board as a whole and the contribution by each 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
Niu Ji Xing	Executive Chairman	17 November 2004	28 April 2008	None	None
Gao Zhong Fa	Executive director	13 May 2005	23 April 2007	None	None
Wang De You	Executive director	13 May 2005	28 April 2009	None	None
Kong Xiang Chao	Non-executive independent director	13 May 2005	23 April 2007	None	None
Teoh Teik Kee	Non-executive independent director	13 May 2005	28 April 2008	Great Holdings Limited City e-solutions Ltd	ecoWise Holdings Limited
Ong Wei Jin	Non-executive independent director	13 May 2005	28 April 2009	China XLX Fertiliser Ltd	NTI International Ltd

According to Article 107 of the Company's Articles of Association, Mr.Gao Zhong Fa and Mr Kong Xiang Chao will retire at the Company's forthcoming AGM and will be eligible for re-election.

Key information on the individual directors and their shareholdings in the Company are set out in this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

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

The NC is responsible in assessing the effectiveness of the Board as a whole and conduct individual assessment on the contribution of each director to its role.

These performance criteria are not subject to requisite amendments on an annual basis, nonetheless where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

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. The Board has separate and independent access to the Company Secretary and Management at all times. The Company Secretary facilitates information flow within the Board and its committees and between senior management. The Company Secretary attends all Board meetings and meetings of the Board committees and ensure that the Company complies with the requirements of the Companies Act and the SGX-ST Listing Manual. The minutes of all Board committees' meetings are circulated to the Board.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his 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:

- Recommending to the Board a framework of remuneration for the directors and senior management;
- Determining specific remuneration packages for each director. The RC should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. In setting remuneration packages, the RC should be aware of the pay and employment conditions within the industry and in comparable companies, as well as taking into account the Company's relative performance and the performance of individual directors. The remuneration of non-executive directors is based on the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised;
- In the case of service contracts of directors, reviewing and recommending to the Board the terms of renewal of the service contracts. There should be a fixed appointment period for all directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC should consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performers; and
- Considering the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

The RC's recommendations are submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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.

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

The Company has entered into service agreements with the executive directors, Mr Niu Ji Xing, Mr Gao Zhong Fa and Mr Wang De You for an initial period of three years with effect from 1 July 2005. Upon the expiry of the initial period of three years, the employment of the executive directors shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The service agreement provides for termination by each party giving not less than six months' notice in writing.

The Company recognises the importance of motivating each employee and in this regard, the Luzhou Performance Share Scheme (the "Scheme") was approved at the extraordinary general meeting ("EGM") on 28 April 2006. Details of the Scheme are set out in the circular dated 12 April 2006 and issued to shareholders prior to the said EGM.

The Scheme is administered by the RC. The directors are eligible to participate in the Scheme. However, as controlling shareholders and their associates are not eligible to participate in the Scheme, Mr Niu Ji Xing, being a controlling shareholder, is not eligible. To date, no awards under the Scheme have been granted.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The following shows the level and mix of each director's remuneration paid or payable for the financial year ended 31 December 2009:

Remuneration Bands	Salary [1] %	Bonus [1] %	Directors' Fees [2] %	Other Benefits %	Total %
Directors					
Above S$250,000 and up to S$500,000					
Niu Ji Xing	100	–	–	–	100
Up to S$250,000					
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
Executive Officers					
Up to S$250,000					
Zhang Ke	62.75	–	–	37.25	100
Wang Du Huai	97.35	–	–	2.65	100
Niu Ji Chao	58.98	–	–	41.02	100
Mao De Qing	85.28	–	–	14.72	100
Koh Pee Keat	92.31	7.69	–	–	100

Notes:-

[1] *Salary is inclusive of salary, bonus, allowances, Central Provident Fund contributions and pension funds.*

[2] *Directors' fees are subject to approval of the shareholders at the forthcoming AGM.*

No employee who is an immediate family member of any director was paid more than S$150,000 during the financial year ended 31 December 2009.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to the shareholders on the Group's performance, position and prospects. The objectives of the presentation of the annual financial statements and quarterly announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance and prospects.

The Management understands its role to provide all members of the Board with balanced and understandable management accounts of the Group's performance, position and prospects on a monthly basis.

Audit Committee

Principle 11: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises the following members:

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

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.

In performing its functions, the AC:

- Reviews the audit plans of the external auditors and ensures the adequacy of the Group's system of accounting controls and the co-operation given by the management to the external auditors;
- Reviews the financial statements of the Group before their submission to the Board, and before their announcement;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Reviews the assistance given by the Group's officer to the auditors;
- Nominates external auditors for re-appointment;
- Reviews the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual and by such amendments made thereto from time to time;
- Reviews interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST; and
- Reviews the adequacy of the Group's internal controls.

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities and they have the requisite accounting or related financial management expertise or experience, as the Board exercises in its business judgement.

The AC has power to conduct or authorise investigations into any matters within the AC's scope of responsibility.

For the year ended 31 December 2009, the AC has reviewed all non-audit services provided by the external auditors which amounted to RMB 10,742 for services rendered as the Company's tax agent and confirmed that these non-audit services would not affect the independence and objectivity of the external auditors. The AC recommends to the Board the reappointment of Mazars LLP Singapore as the external auditors of the Group at the forthcoming AGM.

The Group had implemented the whistle blowing policy. The policy aims to provide avenue for employees to raise concerns about misconducts 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.

INTERNAL CONTROL

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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 external auditors provide feedback to the AC highlighting matters that require the attention of the Management. The AC keeps track on the effectiveness of the Group's system of accounting and internal financial controls, for which the directors are responsible. The Board is generally satisfied with the adequacy of the internal controls currently in place.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Company's assets. An internal audit team has been formed to perform the internal audit function. The internal audit team reports primarily to the AC. 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 AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company has a Singapore office to facilitate open communication with shareholders. The Company's quarterly, half year and full year announcements, analyst briefings and press releases are issued via SGXNET, the Company's website (www.luzhou.com.sg) and 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.

Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity 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. 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 committees. The external auditors will also be present to assist the directors in addressing any queries posed by the shareholders.

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 explain the reasons and material implications.

RISK MANAGEMENT

Pursuant to the 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 two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and the one month before the announcement of the Company's full year financial statements ("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.

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 quarterly 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 shareholders.

In addition, an interested person transaction of a 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 transactions.

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 & 10 respectively; 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 FY2009, are as follow:

Name of Interested Person	Aggregate value of all transactions during FY2009 (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 to Shandong Luzhou	2,600	–
Rental expenses to Liaoning Luzhou	3,500	–
Rental expenses to Shaanxi Luzhou	1,900	–

Shandong Luzhou – Shandong Luzhou Food Group Co., Ltd

Liaoning Luzhou – Fushun Luzhou Amylum Sugar Products Co., Ltd

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

Material Contracts and Loans

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that except as disclosed in the Report of Directors 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 Chief Executive Officer or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATING COMMITTEE MEETINGS

The number of meetings held and attendance at the meetings for FY2009 were 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
Gao Zhong Fa	4	4	–	–	–	–	–	–
Wang De You	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

FINANCIAL STATEMENTS

CONTENTS

We are pleased to present this annual report to the members of the Company together with the audited consolidated financial statements of the Group and balance sheet of the Company for the financial year ended 31 December 2009.

Directors

The directors in office at the date of this report are as follows:-

Niu Ji Xing
Gao Zhong Fa
Wang De You
Kong Xiang Chao
Teoh Teik Kee
Ong Wei Jin

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the"Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Ordinary shares			
	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
Name of director	At beginning of the year	At end of the year	At beginning of the year	At end of the year
LUZHOU BIO-CHEM TECHNOLOGY LIMITED				
Niu Ji Xing	3,900,000	3,900,000[(2)]	157,950,000	157,950,000[(1)]
Gao Zhong Fa[(3)]	15,200,000	15,200,000	-	-
Wang De You[(4)]	10,100,000	10,100,000	-	-
Teoh Teik Kee	125,000	125,000	-	-
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.

(3) The shares of Gao Zhong Fa are registered in the name of Citibank Nominees Singapore Private Limited.

(4) The shares of Wang De You 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 report, 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.

Directors' Interests (Cont'd)

There were no changes in the above mentioned interests in the Company between the end of the financial year and at 21 January 2010.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objectives are, or one of whose objective is, 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.

Since the end of the last financial year, no director has received or become entitled to receive a benefit which is required to be disclosed by Section 201 (8) of the Act by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the accompanying financial statements.

Share Options

There were no options granted during the financial year to subscribe for unissued shares of the Company and its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and its subsidiaries.

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

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:-

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

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, and the Listing Manual, and performs mainly the following functions:-

a) Reviews the audit plans of the external auditors and ensures the adequacy of the Group's system of accounting controls and the co-operation given by the management to the external auditors;

b) Reviews the financial statements of the Group before their submission to the Board, and before their announcement;

c) Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

d) Reviews the cost effectiveness and the independence and objectivity of the external auditors;

e) Reviews the nature and extent of non-audit services provided by the external auditors;

f) Reviews the assistance given by the Group's officer to the auditors;

g) Nominates external auditors for re-appointment;

Audit Committee (Cont'd)

h) Reviews the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual and by such amendments made thereto from time to time;

i) Reviews interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST; and

j) Reviews the adequacy of the Group's internal controls;

The Audit Committee convened four meetings since the last report of the directors.

The Audit Committee has nominated Mazars LLP for re-appointment as the auditors of the Company at the forthcoming Annual General Meeting.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also reviews the level of audit and non-audit fees and is satisfied with the independence and objectivity of the external auditors. The external and internal auditors have unrestricted access to the Audit Committee.

Auditors

The auditors, Mazars LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Niu Ji Xing	**Gao Zhong Fa**
Director	Director

22 March 2010

In our opinion:-

(a) the financial statements set out on pages 37 to 75 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, and Singapore Financial Reporting Standards; and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Niu Ji Xing
Director

Gao Zhong Fa
Director

22 March 2010

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

We have audited the accompanying financial statements of Luzhou Bio-Chem Technology Limited (the"Company") and its subsidiaries (collectively, the"Group") which comprise the balance sheets of the Group and the Company as at 31 December 2009, the consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 75.

Managements' responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the"Act"), and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a 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 consolidated statement of comprehensive income and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion,

(a) the consolidated financial statements of the Group and balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) 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.

MAZARS LLP
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

Partner – Choo Chai Leong

Singapore
22 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Group	
		2009 RMB'000	2008 RMB'000
Revenue	3	**2,368,995**	2,594,224
Cost of sales		**(2,164,231)**	(2,368,046)
Gross profit		**204,764**	226,178
Other operating income	4	**42,627**	35,423
Selling and distribution expenses		**(120,414)**	(132,628)
Administrative expenses		**(106,742)**	(91,520)
Other operating expenses		**(2,831)**	(5,402)
Finance expenses	5	**(30,299)**	(30,768)
(Loss)/Profit before taxation	6	**(12,895)**	1,283
Income tax expense	8	**(1,413)**	-
(Loss)/Profit for the year, representing total comprehensive (loss)/income for the year		**(14,308)**	1,283
Attributable to:			
Equity holders of the company		**(12,552)**	1,467
Minority interests		**(1,756)**	(184)
Total comprehensive (loss)/income for the year		**(14,308)**	1,283
(Loss)/Earnings per share attributable to the equity holders of the Company (RMB cents):			
Basic and diluted	9	**(3.2)**	0.4

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2009

	Note	Group		Company	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Non-current assets					
Property, plant and equipment	10 (i)	**850,279**	849,993	**136**	92
Intangible asset	11	**7,200**	7,200	**-**	-
Land use rights	10 (ii)	**27,681**	27,356	**-**	-
Investments in subsidiaries	12	**-**	-	**372,654**	372,654
		885,160	884,549	**372,790**	372,746
Current assets					
Inventories	13	**234,730**	182,753	**-**	-
Trade receivables	14	**110,392**	120,263	**-**	-
Other receivables, deposits and prepayments	15	**40,509**	27,502	**24,437**	24,527
Amount owing by subsidiaries	16	**-**	-	**47,920**	49,624
Cash and cash equivalents	17	**66,782**	104,380	**2,722**	17,720
		452,413	434,898	**75,079**	91,871
Total assets		**1,337,573**	1,319,447	**447,869**	464,617
Equity attributable to equity holders of the company					
Share capital	18	**282,820**	282,820	**282,820**	282,820
Statutory reserve	19	**69,127**	67,886	**-**	-
Accumulated profits		**106,630**	120,423	**122,234**	131,349
		458,577	471,129	**405,054**	414,169
Minority interests		**38,921**	40,677	**-**	-
Total equity		**497,498**	511,806	**405,054**	414,169
Non-current liabilities					
Amount owing to a related party	20	**10,081**	12,601	**-**	-
Interest-bearing liabilities	21	**312,278**	343,283	**-**	28,567
Deferred income	22	**15,516**	10,868	**-**	-
Deferred taxation	23	**589**	589	**-**	-
		338,464	367,341	**-**	28,567
Current liabilities					
Trade payables	24	**192,015**	159,172	**-**	-
Other payables	25	**115,779**	130,997	**1,142**	824
Deferred income	22	**2,110**	1,395	**-**	-
Amount owing to a related party	20	**17,238**	3,221	**14,361**	-
Interest-bearing liabilities	21	**174,469**	145,515	**27,312**	21,057
		501,611	440,300	**42,815**	21,881
Total liabilities		**840,075**	807,641	**42,815**	50,448
Total equity and liabilities		**1,337,573**	1,319,447	**447,869**	464,617

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

Group	Share capital RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	Total attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Balance as at 1 January 2008	282,820	66,025	147,745	496,590	33,661	530,251
Total comprehensive income for the year	-	-	1,467	1,467	(184)	1,283
Minority's investment in subsidiary	-	-	-	-	7,200	7,200
Transfer to statutory reserve	-	1,861	(1,861)	-	-	-
Dividend relating to 2007 paid	-	-	(26,928)	(26,928)	-	(26,928)
Balance as at 31 December 2008	282,820	67,886	120,423	471,129	40,677	511,806
Total comprehensive loss for the year	-	-	(12,552)	(12,552)	(1,756)	(14,308)
Transfer to statutory reserve	-	1,241	(1,241)	-	-	-
Balance as at 31 December 2009	282,820	69,127	106,630	458,577	38,921	497,498

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
(Loss)/Profit before taxation		**(12,895)**	1,283
Adjustments for:-			
Depreciation of property, plant and equipment		**82,994**	78,352
Amortisation of land use rights		**455**	543
Amortisation of government grant		**(2,110)**	(1,395)
Gain on disposal of plant and equipment		**(5,734)**	(3,470)
Interest expense		**30,299**	30,768
Interest income		**(839)**	(436)
(Reversal of write-down)/write-down of inventories		**(1,720)**	2,269
Allowances for doubtful trade receivables		**1,406**	604
Operating profit before working capital changes		**91,856**	108,518
Changes in working capital			
Inventories		**(50,257)**	75,770
Trade receivables		**8,465**	(4,241)
Other receivables, deposits and prepayments		**(13,007)**	24,264
Amount owing to a related party		**(345)**	701
Trade payables		**32,843**	(3,421)
Other payables		**(15,218)**	(7,547)
Cash deposits released from pledge		**8,650**	3,450
Cash deposits pledged		**-**	(9,300)
Cash generated from operations		**62,987**	188,194
Income taxes paid		**(1,413)**	-
Net cash generated from operating activities		**61,574**	188,194
Investing activities			
Purchase of property, plant and equipment		**(88,654)**	(219,479)
Purchase of intangible asset		**-**	(7,200)
Purchase of land use rights		**(780)**	(788)
Proceeds from disposal of plant and equipment		**16,053**	26,958
Interest income received		**839**	436
Proceeds from government grant		**7,473**	13,658
Net cash used in investing activities		**(65,069)**	(186,415)
Financing activities			
Interest expense paid		**(30,299)**	(30,768)
Amount owing to a related party		**11,851**	(2,520)
Proceeds from interest-bearing loans and borrowings		**572,919**	514,964
Repayment of interest-bearing loans and borrowings		**(579,336)**	(440,566)
Repayment of finance lease liabilities		**(579)**	-
Cash inflow from minority interest		**-**	7,200
Dividend paid		**-**	(26,928)
Net cash (used in)/generated from financing activities		**(25,444)**	21,382
Net (decrease)/increase in cash and cash equivalents		**(28,939)**	23,161
Effect of exchange rate changes on cash and cash equivalents		**(9)**	(32)
Cash and cash equivalents at beginning of financial year		**92,730**	69,601
Cash and cash equivalents at end of financial year	17	**63,782**	92,730

The accompanying notes form an integral part of these financial statements

These notes form an integral part of the financial statements.

1. Domicile and Activities

Luzhou Bio-chem Technology Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 88 Amoy Street, Level Three, Singapore 069907. The Company was admitted to the main board of the Singapore Exchange Securities Trading Limited on 24 February 2006. The Company's principal place of business is at No. 18 Jalan Masjid, #02-09 Kembangan Plaza, Singapore 418944.

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are set out in Note 12.

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

The Group incurred a net loss after tax of RMB 14.3 million (2008: RMB1.28 million, profit after tax) for the financial year ended 31 December 2009 and as of this date, its current liabilities exceeded its current assets by RMB 49.2 million (2008: RMB 5.4 million, net current liabilities). The increase in net current liabilities was due mainly to replacement of the matured long-term interest-bearing loans with short-term interest bearing loans and increase in advances from a related party to fund the Group's operations during the year.

The Group has been generating positive cash inflows from its operating activities for the financial years ended 2008 and 2009. The Group achieved increase in revenue and positive contribution for the last quarter of 2009. With the expectation of further recovery in both the global and domestic economies and better profit margin brought by firm cane sugar price since the last quarter of the year, management expects the Group to achieve a better business performance for financial year 2010. Further, the management will continue to focus on its strategy to improve capacity utilization of its plants thereby enhancing the overall production efficiency and profitability. Management also has taken steps to manage the Group's working capital which includes streamlining its operations and evaluating of alternative sources of financing.

Management has prepared the Group's cash flows projection for financial year 2010 which shows positive net cash inflows after taking into accounts, among others, the repayment and renewal of the existing loans and new loans from existing and new lenders, and capital expenditure. Management is of the view that the Group is able to operate comfortably within the level of its current bank facilities. Management does not foresee any problem in renewing loans when they mature. Management believes that the Group has adequate resources to continue in operational existence for the foreseeable future.

The banks have not imposed any financial covenant requirements on the Group for the financial year ended 31 December 2009.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

During the current financial year, the Group adopted all the new/revised FRSs that are mandatory for application from that date. The adoption of the new/revised FRSs did not result in significant change to the Group's accounting policies nor any significant impact on these financial statements.

2. Summary of Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

The Standards mandatory for application from 1 January 2009 are as follows:-

FRS 1 (Revised)	*Presentation of Financial Statements*
FRS 18 (Amendments)	*Revenue*
FRS 23 (Amendments)	*Borrowing Costs*
FRS 32 (Amendments)	*Financial Instruments: Presentation*
FRS 101 (Amendments)	*First-time Adoption of Financial Reporting Standards*
FRS 27	*Consolidated and Separate Financial Statements*
FRS 102 (Amendments)	*Share-based Payment - Vesting Conditions and Cancellations*
FRS 107 (Amendments)	*Financial Instruments: Disclosures*
FRS 108	*Operating Segments*

The principal effects of the changes are as follows:-

FRS 1 Presentation of Financial Statements – Revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 29.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance and replaces the requirement to determine primary and secondary reporting segments of the Group. Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. There is no impact on earnings per share as the change in accounting policy only impacts presentation and disclosure aspects. Additional disclosures about each of the segments are shown in Note 28, including revised comparative information.

The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand. They have been prepared on the historical cost basis except as disclosed in the significant accounting policies below.

The financial statements of the Company and the Group had previously been prepared in accordance with International Financial Reporting Standards. During the current financial year, the Company and the Group prepare the financial statements in accordance with Singapore Financial Reporting Standards and the change does not result in significant differences to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current and prior years.

2. Summary of Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The following summarises significant judgements made in the process of applying the Group's accounting policies.

Allowance for bad and doubtful receivables

The impairment policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management judgement. At the balance sheet date, the trade receivable, net of allowance, amounted to RMB 110,392,000 (2008: RMB 120,263,000). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, addition allowance will be required.

Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their economic useful lives estimated to be within 3-20 years, net of estimated residual value. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation could be revised. The carrying amount of the property, plant and equipment is stated in Note 10(i).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of all non-financial assets at each reporting date. Intangible asset is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of intangible asset are given in Note 11.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reviews an aged analysis of inventories at each balance sheet date, and makes allowance for obsolete and slow-moving items identified that are no longer suitable for use in production. Management estimates the net realisable value based primarily on the latest invoice prices and current market conditions. The carrying amount of inventories is stated in Note 13.

2. Summary of Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Provision for income tax

The Group estimates the potential tax exposure as at year end based on management's best estimates from past queries and assessments by the respective tax authorities. The Group reviews its position at the end of every reporting period for any update from the tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

2.2 Functional currency

The functional currency of the Company and its China subsidiaries is the Chinese Renminbi ("RMB"). As sales and purchases are denominated primarily in RMB and receipts from operations are usually retained in RMB, management is of the opinion that the RMB reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.3 Basis of consolidation

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting for subsidiaries by the Company

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the statement of comprehensive income in the period of the acquisition.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interests

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

2. Summary of Significant Accounting Policies (Cont'd)

2.4 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at foreign exchange rates ruling at that date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates at the initial dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to RMB at foreign exchange rates at the date the fair values were determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss for the period.

Presentation currency

The financial statements of the Group and Company are presented in Chinese Renminbi ("RMB") as the business activities are mainly in the People's Republic of China.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the statement of comprehensive income when incurred. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

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	Estimated residual value as a percentage of cost
Property	20 years	5%
Machinery and tools	3 - 12 years	5% - 30%
Office equipment and furniture	5 years	5%
Motor vehicles	6 years	5%
Renovation	3 - 5 years	5%

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

The depreciation method, useful lives and residual values are reviewed, at each financial year end and adjusted prospectively.

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 statement of comprehensive income in the year the asset is derecognised.

2. Summary of Significant Accounting Policies (Cont'd)

2.6 Assets under construction

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 is reclassified to the appropriate category of property, plant and equipment when completed and ready for 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.

2.7 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 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 to be incurred to completion and disposal.

Allowance for obsolete, slow-moving or defective inventories is made, where necessary.

2.8 Financial assets

Financial assets within the scope of FRS 39 are classified as loan and receivables. When financial assets are recognised initially, they are measured at fair value directly attributable transaction cost. Financial assets are recognised on the balance sheets when, and only when the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables. Loans and receivables are initially recognised at fair value. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loan and receivable are derecognised or impaired, and through the amortisation process.

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there are any objective evidence that a financial asset is impaired.

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

To determine whether there is objective evidence that an impairment loss of financial assets have been incurred, the Group considers factors such as the probability and insolvency of significant financial difficulties of debtor and default or significant delay in payments.

2. Summary of Significant Accounting Policies (Cont'd)

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits. They are short-term, highly liquid assets that can be readily convertible to known amounts of cash, which is subject to an insignificant risk of changes in value.

2.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. The impairment loss is charged to the statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. 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 or cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

2.11 Financial liabilities

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2. Summary of Significant Accounting Policies (Cont'd)

2.12 Research and development cost

Research cost incurred in the development of intangible asset is recognised in the statement of comprehensive income as incurred.

Expenditure incurred on prospect to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, has intentions to complete and its ability to use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate resources to complete the project and the ability to measure reliably the expenditure attributable during the development. Product development expenditure which does not meet these criteria is expensed as incurred.

2.13 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 loss. The land use rights are amortised over the lease term of 50 – 60 years. Amortisation commences when the Group's right to use the land is approved by the local authority.

2.14 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 statement of comprehensive income as they became payable in accordance with the rules of the pension scheme.

In Singapore, the Group make 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.

2.15 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that it will result in an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reasonably estimated.

Provisions are reviewed at each balance sheet date and adjusted to reflect its current best estimates. If it is no longer probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

2.16 Income taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in statement of comprehensive income except to the extent that the tax relates to items recognised outside the statement of comprehensive income, either in other comprehensive income or directly in equity.

2. Summary of Significant Accounting Policies (Cont'd)

2.16 Income taxes (Cont'd)

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax asset 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.

2. Summary of Significant Accounting Policies (Cont'd)

2.17 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:-

(i) ***Sale of goods***

Revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebate. Revenue is recognised when goods are delivered to the customers' premises or collected by the customers at the Group's premises which is taken to be the point in time when the customers has accepted the goods and the related risks and rewards of ownerships.

(ii) ***Interest income***

Interest income is recognised on a time-apportioned basis using effective interest method.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects, if any.

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of comprehensive income.

Operating lease

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. Government grants relating to the acquisition of non-current assets are recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

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 the statement of comprehensive income in the period in which they become receivable.

2. Summary of Significant Accounting Policies (Cont'd)

2.21 Related parties

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

2.22 Intangible assets

Intangible assets with indefinite useful lives acquired separately are reported at cost less accumulated impairment loss. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 2.10.

2.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Management makes decision about resources to be allocated to the segment and assess its performance. Segment manages report directly to the Management of the Company.

2.24 FRSs not yet adopted

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective for the year ended 31 December 2009. The directors of the Company are of the opnion that the adoption of such standards and interpretations will not result in material impact to the Group's financial statements.

FRS 27 (Revised)	*Consolidated and Separate Financial statements*
FRS 39 (Amendment)	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items and Embedded Derivatives*
FRS 103 (Revised)	*Business Combinations*
FRS 105 (Amendment)	*Non-current Assets Held for Sales and Discontinued Operations*
INT FRS 117	*Distributions of Non-cash Assets to Owners*
Improvements to FRSs issued in 2009	

3. Revenue

	Group	
	2009 RMB'000	2008 RMB'000
Sale of goods	2,368,995	2,594,224

4. Other operating income

	Group	
	2009 RMB'000	2008 RMB'000
Gain on sale of consumables and waste materials	**6,754**	12,395
Gain on disposal of plant and equipment	**5,734**	3,470
Government grant and subsidies	**20,509**	14,836
Amortisation of government grant	**2,110**	1,395
Interest income from banks	**839**	436
Foreign exchange adjustment loss/(gain) (net)	**(493)**	886
Income from penalties imposed	**2,214**	1,169
Others	**4,960**	836
	42,627	35,423

5. Finance expenses

	Group	
	2009 RMB'000	2008 RMB'000
Interest expenses on trade financing	**407**	474
Interest expense on bank loans	**29,599**	29,863
Interest expense on discounted bills receivable	**45**	165
Interest expense – others	**248**	266
	30,299	30,768

6. (Loss)/Profit before taxation

	Group	
	2009 RMB'000	2008 RMB'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):-		
Cost of inventories included in cost of sales	**2,164,231**	2,368,046
Depreciation of property, plant and equipment	**82,994**	78,352
Amortisation of land use rights	**455**	543
Allowance for doubtful trade receivables	**1,406**	604
(Write back)/allowance of inventories	**(1,720)**	2,269
Amortisation of government grant	**(2,110)**	(1,395)
Directors' remuneration (Note 7)	**3,738**	3,730
Directors' fee (Note 7)	**717**	519
Interest income from banks	**(839)**	(436)
Foreign exchange adjustment loss/(gain) (net)	**493**	(886)
Gain on disposal of plant and equipment	**(5,734)**	(3,470)
Operating lease expenses	**12,125**	10,157
Research and development expenses	**1,410**	1,553
Staff costs (Note 7) (excluding directors' remuneration)	**103,178**	99,072

7. Staff costs

	Group	
	2009 RMB'000	2008 RMB'000
Salaries and bonuses	**90,505**	85,532
Contribution to defined contribution plan	**7,531**	6,487
Other staff related costs	**5,142**	7,053
	103,178	99,072

Included in staff costs is aggregated amount of RMB 51,704,000 (2008: RMB 53,112,000) recognised in cost of sales of which RMB 813,000 (2008: RMB 1,373,000) relates to contributions to defined contribution plan.

Compensation of key management personnel

	Group	
	2009 RMB'000	2008 RMB'000
Directors of the Company		
Short-term employee benefits		
- Salaries	**3,720**	3,720
- Others	**18**	10
Directors' fee	**717**	519
	4,455	4,249

8. Income taxes

	Group	
	2009 RMB'000	2008 RMB'000
Current tax		
Current year	**1,413**	-

The tax expense on the results for the financial year differs from the amount of income tax determined by applying the Singapore tax rate of 17% (2008: 18%) to (loss)/profit before taxation due to the following factors:-

	Group	
	2009 RMB'000	2008 RMB'000
(Loss)/Profit before taxation	**(12,895)**	1,283
Tax at the applicable rate of 17% (2008: 18%)	**(2,192)**	231
Tax effect of:-		
- income exempted from tax	**(1,456)**	(2,152)
- effect of different tax rates	**97**	90
- non-deductible expenses	**1,458**	-
Deferred tax assets not recognised in prior year	**(5,267)**	-
Deferred tax asset not recognised	**8,773**	1,831
Total tax expense	**1,413**	-

The corporate income tax rate applicable to the Company was reduced to 17% for the year of assessment 2010 onwards from 18% for the year of assessment 2009.

The prevailing tax rate of the subsidiaries residing in the PRC is 25% (2008: 25%). Certain subsidiaries are subject to a concessionary tax rate of 50% on the income tax payable while other subsidiaries' incomes are exempted from income tax. The China Tax Bureau provides that a foreign investment enterprise engaged in production having a period of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years.

Deferred tax assets not recognised

	Group	
	2009 RMB'000	2008 RMB'000
Unutilised tax losses	**7,067**	1,800
Unutilised capital allowances	**3,506**	-
	10,573	1,800

At the balance sheet date, certain subsidiaries in the Group have unutilised tax losses and unutilised capital allowances RMB 28,268,000 and RMB 14,024,000 (2008 – RMB 7,200,000 and Nil) respectively 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 and unutilised capital allowances in their respective countries of incorporation. These tax losses will expire 5 years from the year it arises. Unutilised capital allowances do not have expiry dates. Deferred tax assets are not recognised due to uncertainty of its recoverability.

9. (Loss)/Earnings per share

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

	Group	
	2009	2008
Basic and diluted (loss)/earnings per share is based on:		
- (Loss)/Profit for the year attributable to ordinary shareholders (RMB '000)	**(12,552)**	1,467
Weighted average number of ordinary shares (per thousands)	**396,000**	396,000
(Loss)/Earnings per share (cents)	**(3.2)**	0.4

10 (i) Property, plant and equipment

Company	Office equipment and furniture RMB'000	Renovation RMB'000	Total RMB'000
Cost			
At 1 January 2008	13	131	144
Additions	-	81	81
At 31 December 2008	13	212	225
Additions	11	91	102
Disposals	-	(3)	(3)
At 31 December 2009	24	300	324
Accumulated Depreciation			
At 1 January 2008	4	84	88
Charge for the year	2	43	45
At 31 December 2008	6	127	133
Charge for the year	4	51	55
At 31 December 2009	10	178	188
Carrying amount			
At 31 December 2009	14	122	136
At 31 December 2008	7	85	92

10 (i) Property, plant and equipment (Cont'd)

Group	Property RMB'000	Machinery and tools RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Assets under construction RMB'000	Total RMB'000
Cost							
At 1 January 2008	144,898	578,209	31,130	14,236	4,128	121,764	894,365
Additions	-	45,130	5,297	872	82	168,098	219,479
Disposals	-	(32,790)	(785)	(153)	-	-	(33,728)
Reclassifications	35,230	89,279	1,472	-	(3,845)	(122,136)	-
At 31 December 2008	180,128	679,828	37,114	14,955	365	167,726	1,080,116
Additions	27,473	51,092	4,309	2,166	90	8,469	93,599
Disposals	-	(23,520)	(568)	-	(2)	-	(24,090)
Reclassifications	23,601	96,192	305	-	-	(120,098)	-
At 31 December 2009	231,202	803,592	41,160	17,121	453	56,097	1,149,625
Accumulated Depreciation							
At 1 January 2008	6,899	132,125	14,135	7,336	1,516	-	162,011
Charge for the year	9,894	60,437	5,848	2,129	44	-	78,352
Disposals	-	(8,798)	(86)	(75)	(1,281)	-	(10,240)
At 31 December 2008	16,793	183,764	19,897	9,390	279	-	230,123
Charge for the year	10,184	65,231	5,492	2,036	51	-	82,994
Disposals	-	(13,390)	(381)	-	-	-	(13,771)
At 31 December 2009	26,977	235,605	25,008	11,426	330	-	299,346
Carrying amount							
At 31 December 2009	204,225	567,987	16,152	5,695	123	56,097	850,279
At 31 December 2008	163,335	496,064	17,217	5,565	86	167,726	849,993

As at 31 December 2009, properties and machineries with carrying amount of RMB 466,971,677 (2008: RMB 381,181,123) have been pledged to secure the Group's interest-bearing loans and borrowings as disclosed in Note 21.

During the financial year, the Group acquired machinery and tools and office equipment and furniture with an aggregate cost of RMB 4,945,000 by way of finance leases (Note 21).

The carrying amount of machinery and tools and office equipment and furniture held under finance leases at the balance sheet date was RMB 2,468,000 and RMB 2,354,000 respectively (2008: Nil). Leased assets are pledged as security for the related finance lease liabilities.

10 (ii)Land use rights

	Group	
	2009 RMB'000	2008 RMB'000
Cost		
At 1 January	**28,437**	31,600
Additions	**780**	788
Reversal*	**-**	(3,951)
At 31 December	**29,217**	28,437
Accumulated amortisation		
At 1 January	**1,081**	538
Additions	**455**	543
At 31 December	**1,536**	1,081
Carrying amount	**27,681**	27,356
Amounts to be amortised		
Not later than one year	**584**	547
Later than one year but not later than five years	**2,337**	2,189
Later than five years	**24,760**	24,620
	27,681	27,356

(a) Land use rights represented leasehold interests in 4 plots of state-owned land located in the PRC where the Group's manufacturing facilities reside. The lease terms expire between years 2055 to 2057.

(b) At 31 December 2009, the carrying amount of land use rights of RMB 20,973,000 (2008: RMB 19,540,000) have been pledged to secure bank loans of the Group (Note 21).

* The reversal was due to subsequent revision of the cost of the land use right by the PRC government authority.

11. Intangible asset

In 2008, the group acquired technical knowledge and formulations for the production of amino acid from the minority shareholder of a subsidiary. The intangible asset is measured at cost which represented the fair value at the acquisition date.

The recoverable amount of the intangible asset is determined based on value in use calculations using cash flow projection based on financial budgets approved by management for the next 5 years period and extrapolated cash flows for the following 5 years based on estimate growth rate of 5% per annum. This rate does not exceed the average long-term growth rate for the industry. The pre-tax discount rate used to discount the forecast cash flows is 5.31% (2008: 5.80%). The key assumptions for the value in use calculations are those regarding the discount rates that reflect management's estimate of the risks specific to the cash generating unit. The growth rate is based on industry growth forecasts. Gross margins are based on past year's results adjusted for anticipated efficiency improvements.

As at 31 December 2009, no impairment loss was recognised.

12. Investments in subsidiaries

	Company 2009 RMB'000	Company 2008 RMB'000
Unquoted equity shares, at cost	**372,654**	372,654

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost of investment held by the Company 2009	Cost of investment held by the Company 2008	Effective percentage of equity interest held by the Group 2009	Effective percentage of equity interest held by the Group 2008
鲁洲生物科技(山东)有限公司 (Luzhou Bio-chem Technology (Shandong) Co., Ltd.) Note 2	Production and distribution of sweeteners, corn starch and by-products of corn starch.	People's Republic of China	**US$36,300,000 (RMB271,664,000)**	US$36,300,000 (RMB271,664,000)	**100**	100
鲁洲生物科技(辽宁)有限公司 (Luzhou Bio-chem Technology (Liaoning) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch.	People's Republic of China	**US$2,000,000 (RMB15,909,000)**	US$2,000,000 (RMB15,909,000)	**100**	100
鲁洲生物科技(陕西)有限公司 (Luzhou Bio-chem Technology (Shaanxi) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch.	People's Republic of China	**US$7,000,000 (RMB46,381,000)**	US$7,000,000 (RMB46,381,000)	**100**	100
鲁洲生物科技(四川)有限公司 (Luzhou Bio-chem Technology (Sichuan) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch.	People's Republic of China	**US$4,463,000 (RMB35,700,000)**	US$4,463,000 (RMB35,700,000)	**62.5#**	62.5#
山东泓洲化工机械有限公司 (Shandong Hongzhou Chemical Equipment Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch.	People's Republic of China	**US$375,000 (RMB3,000,000)**	US$375,000 (RMB3,000,000)	**100**	100
山东鲁洲氨基酸有限公司 (Shandong Luzhou Amino Acid Co., Ltd.) Note 3	Production and sale of amino acids	People's Republic of China	**-**	-	**55**	55
			RMB372,654,000	RMB372,654,000		

12. Investment in subsidiaries (Cont'd)

Note:
1. All the subsidiaries are audited by Mazars LLP, Singapore for consolidation purposes.
2. The subsidiary has four branch offices: Xiping Branch Office, Yishui Branch Office, Animal Feed Branch Office and Beijing Branch Office.
3. Shandong Luzhou Amino Acid Co., Ltd. is 55% owned by Luzhou Bio-chem Technology (Shandong) Co., Ltd. and 45% owned by Beijing Qingfa Bio-technology Centre. The registered capital of Shandong Luzhou Amino Acid Co., Ltd. is RMB 16 million.

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 25.3% (RMB 24.3 million).

13. Inventories

	Group	
	2009 RMB'000	2008 RMB'000
Balance sheet		
Raw materials	**124,015**	66,941
Work-in-progress	**19,740**	19,387
Finished goods	**89,045**	94,401
Packaging materials and consumables	**1,930**	2,024
	234,730	182,753

	Group	
	2009 RMB'000	2008 RMB'000
Statement of comprehensive income		
Inventories recognised in cost of sales inclusive of the following charge/(credit)		
- inventories written-down	**-**	2,269
- reversal of write-down of inventories	**(1,720)**	-

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

14. Trade receivables

	Group	
	2009 RMB'000	2008 RMB'000
Trade receivables	**100,886**	105,337
Bills receivables	**5,603**	13,227
Value-added tax recoverables	**7,445**	3,835
	113,934	122,399
Allowances for doubtful trade receivables	**(3,542)**	(2,136)
	110,392	120,263

Change in allowances for doubtful trade receivables during the year:

At 1 January	**(2,136)**	(1,532)
Allowances recognised in current year	**(1,406)**	(604)
At 31 December	**(3,542)**	(2,136)

Trade receivables denominated in currency other than the Company's functional currency are as follows:-

	Group	
	2009 RMB'000	2008 RMB'000
United States Dollars	**2,025**	5,068

Trade receivables are non-interest bearing and are generally on 30 days (2008: 30 days) credit term. The Group does not hold any collateral or credit enhancements over the trade receivables.

Bills receivables, which are non-interest bearing, are issued by banks with average maturity of 2 months (2008: 2 months) as of the balance sheet date.

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.

14. Trade receivables (Cont'd)

The aging of trade receivables at the reporting date is:

Group	Gross Receivables 2009 RMB'000	Allowances for doubtful debt 2009 RMB'000	Gross Receivables 2008 RMB'000	Allowances for doubtful debt 2008 RMB'000
Within 30 days	**93,696**	-	**86,680**	-
Past due 31 -90 days	**12,871**	-	**26,990**	-
Past due 91- 180 days	**2,437**	-	**4,769**	-
Past due 181 - 365 days	**1,602**	(725)	**988**	(271)
More than one year	**3,328**	(2,817)	**2,972**	(1,865)
	113,934	(3,542)	**122,399**	(2,136)

The trade receivables that are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy, based on credit evaluation process performed by management.

The Group's historical experience in the collection of accounts receivable falls within the recorded allowance. Due to these factors, management believes that no additional credit risks beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The above allowances are individually determined based on collection records and the financial standing of the respective customers.

15. Other receivables, deposits and prepayments

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Other receivables	**11,284**	11,401	**61**	93
Prepayments	**8,703**	7,998	**2**	60
Advances paid to suppliers	**20,522**	8,103	**-**	-
Dividends receivable from subsidiaries	**-**	-	**24,374**	24,374
	40,509	27,502	**24,437**	24,527

Advances paid to suppliers are mainly for the purchase of corn stock for production purposes.

The dividends receivable from subsidiaries are denominated in Chinese Renminbi, unsecured, interest-free and are repayable on demand.

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

Other receivables, deposits and prepayments denominated in foreign currency other than the Company's functional currency are as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Singapore dollars	**63**	153	**63**	153

The above balances relate to receivables with no recent history of default and management is of the view that these receivables are collectible.

16. Amount owing by subsidiaries

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

17. Cash and cash equivalents

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash at banks and in hand	**63,782**	92,730	**2,722**	17,720
Deposits pledged	**3,000**	11,650	**-**	-
	66,782	104,380	**2,722**	17,720
Less: deposits pledged	**(3,000)**	(11,650)		
Cash and cash equivalents for cash flow purposes	**63,782**	92,730		

Bank deposits of certain subsidiaries were pledged as security to obtain credit facilities (Notes 21 and 24).

Cash at banks earn interest at floating rates based on daily bank deposits rates. The effective interest rate earned for the year was 1% (2008: 1%) per annum.

Cash and cash equivalents denominated in currency at the balance sheet date other than the Company's functional currency are as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Singapore dollars	**2,722**	17,720	**2,722**	17,720

18. Share capital

	2009 RMB'000	2008 RMB'000
Fully paid ordinary shares at the beginning and end of year		
396 million ordinary shares with no par value	**282,820**	282,820

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.

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 tax 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

The amount owing to a related party is non-trade in nature, unsecured, interest-free and is repayable as follows:-

	Group	
	2009 RMB'000	2008 RMB'000
Current		
Amount due within 1 year	**17,238**	3,221
Non-current		
Amount due after 1 year but less than 5 years	**10,081**	10,081
Amount due after 5 years	**-**	2,520
	10,081	12,601

The amount owing to related party is denominated in Chinese Renminbi, except for an amount of RMB 14,362,000 (2008: Nil), denominated in Singapore dollars.

21. Interest bearing liabilities

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Non-current liabilities				
Loans and borrowings	**310,000**	343,283	**-**	28,567
Finance lease liabilities	**2,278**	-	**-**	-
	312,278	343,283	**-**	28,567
Current liabilities				
Loans and borrowings	**172,381**	145,515	**27,312**	21,057
Finance lease liabilities	**2,088**	-	**-**	-
	174,469	145,515	**27,312**	21,057
Total interest bearing liabilities	**486,747**	488,798	**27,312**	49,624

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Loans and borrowings				
Non-current liabilities				
Secured				
- Chinese Renminbi	**140,000**	170,000	**-**	-
Unsecured				
- United States dollars	**-**	28,567	**-**	28,567
- Chinese Renminbi	**170,000**	144,716	**-**	-
	170,000	173,283	**-**	28,567
Total non-current liabilities	**310,000**	343,283	**-**	28,567
Current liabilities				
Secured				
- Chinese Renminbi	**80,000**	-	**-**	-
Unsecured				
- United States dollars	**27,312**	21,057	**27,312**	21,057
- Chinese Renminbi	**65,069**	124,458	**-**	-
	92,381	145,515	**27,312**	21,057
Total current liabilities	**172,381**	145,515	**27,312**	21,057
Total loans and borrowings	**482,381**	488,798	**27,312**	49,624

21. Interest bearing liabilities (Cont'd)

Maturity of interest bearing loans and borrowings

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Within 1 year	**172,381**	145,515	**27,312**	21,057
After 1 year but within 2 years	**310,000**	343,283	**-**	28,567
Total interest bearing loans and borrowings	**482,381**	488,798	**27,312**	49,624

As at 31 December 2009, the loans and borrowings of the Group were secured or guaranteed by the following:-

(i) pledge of certain property, plant and equipment of the Group (Note 10(i));

(ii) pledge of certain land use rights (Note 10(ii)(b));

(iii) pledge of properties owned by related parties;

(iv) pledge of cash deposit (Note 17);

(v) corporate guarantee given by related parties;

(vi) corporate guarantee given by third parties; and

(vii) pledge of ordinary shares of subsidiaries, Luzhou Bio-chem Technology (Liaoning) Co., Ltd, Luzhou Bio-chem Technology (Shandong) Co., Ltd and Luzhou Bio-chem Technology (Shaanxi) Co., Ltd.

The loan and borrowings bears interest at the effective interest rate of 6.28% (2008: 7.27%) per annum.

21. Interest bearing liabilities (Cont'd)

Finance lease liabilities

During the year, the Group entered into lease agreements for certain office equipment and machinery and tools under finance lease, which has lease term of 3 years. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2009		2008	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due:-				
Within 1 year	2,317	2,088	-	-
After 1 year but within 3 years	2,527	2,278	-	-
Total minimum lease payments	4,844	4,366	-	-
Finance charges	(478)	-	-	-
Present value of minimum lease payments	4,366	4,366	-	-
Less: Amount due for settlement within 12 months (shown under current liabilities)		(2,088)		-
Amount due for settlement after 12 months		2,278		-

The weighted average effective rate was 6.16% (2008: Nil) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22. Deferred income

Deferred income represents receipt of government grants relating to construction of certain production plants using domestically manufactured plant and equipment. The deferred income is amortised to the statement of comprehensive income 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	
	2009 RMB'000	2008 RMB'000
Cost		
At 1 January	**13,658**	-
Additions	**7,473**	13,658
At 31 December	**21,131**	13,658
Accumulated amortisation		
At 1 January	**1,395**	-
Amortised during the year	**2,110**	1,395
At 31 December	**3,505**	1,395
At 31 December	**17,626**	12,263
Amortisation due within:		
Next 12 months - current portion	**2,110**	1,395
More than 12 months - non-current portion	**15,516**	10,868
	17,626	12,263

23. Deferred taxation

	Group	
	2009 RMB'000	2008 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 balance sheet 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 27.8 million (2008: RMB 8.9 million). 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.

24. Trade payables

	Group	
	2009 RMB'000	2008 RMB'000
Trade payables	**190,341**	138,175
Bills payable	**-**	15,000
Value added tax payable	**1,674**	5,997
	192,015	159,172

Trade payables are denominated in the Chinese Renminbi, non-interest bearing and are normally settled within 30 days (2008: 30 days).

At 31 December 2008, the bills payable was secured by pledge of RMB 4.5 million cash deposit and by a third party. These bills payable are non-interest bearing and is payable six months after the balance sheet date.

25. Other payables

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Other payables	**28,352**	39,188	**-**	-
Deposits from customers	**9,871**	10,010	**-**	-
Payables for construction of property, plant and equipment	**18,071**	24,883	**-**	-
Retention money owing to contractors and suppliers	**12,978**	9,192	**-**	-
Accrued operating expenses	**26,102**	25,643	**1,142**	824
Advances from customers	**18,951**	19,865	**-**	-
Other tax payables	**1,454**	2,216	**-**	-
	115,779	130,997	**1,142**	824

Other payables and accruals are non-interest bearing and have an average repayment term of 6 months (2008: 6 months).

25. Other payables (Cont'd)

Other payables and accruals denominated in currency other than the Company's functional currency are as follows:-

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Singapore dollars	**1,075**	752	**1,075**	752

26. Commitments

Capital commitments

At 31 December 2009, the Group had capital commitments contracted for but not provided in the financial statements as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Commitments in respect of the construction of plant and equipment	**3,052**	8,748

Operating lease commitments – as lessee

At the balance sheet date, the Group was committed to making the following payments in respect of rental on manufacturing and office premises as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Within 1 year	**9,386**	9,617
After 1 year but within 5 years	**214**	9,594
	9,600	19,211

The operating leases entered into by the Group are non-cancellable and are generally on a 3 years term with an option to renew for another 3 years term at the prevailing market rate.

27. Significant related party transactions

The Group has significant transactions with related parties on terms agreed between the parties during the financial year as follows:-

	Group	
	2009 RMB'000	2008 RMB'000
Transactions with parties in which a director have substantial interest:-		
- Operating lease expenses	**8,000**	8,000

28. 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 – includes administrative offices in Beijing and 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.

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
2009							
Revenue:							
External customers	2,112,041	235,306	21,648	-	-		2,368,995
Intra-segment sales	108,299	-	14,126	-	(122,425)	A	-
Total Revenue	2,220,340	235,306	35,774	-	(122,425)		2,368,995
Results:							
Segment (loss)/profit before tax	41,257	1,441	(3,434)	(21,211)	(30,948)	B	(12,895)
Depreciation	80,497	1,057	2,147	274	(981)	C	82,994
Amortisation of land use right	455	-	-	-	-		455
Other non-cash expenses	(2,964)	-	540	-	-	D	(2,424)
Assets:							
Segment asset	1,238,340	27,144	65,695	22,628	(16,234)	E	1,337,573
Additions to non-current assets	84,510	436	6,606	2,047	-	F	93,599
Liabilities:							
Segment liabilities	752,190	26,248	41,959	19,089	589	G	840,075

28. 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
2008							
Revenue:							
External customers	2,454,264	133,738	6,222	-	-		2,594,224
Intra-segment sales	87,993	-	8,811	-	(96,804)	A	-
Total Revenue	2,542,257	133,738	15,033	-	(96,804)		2,594,224
Results:							
Segment profit before tax	46,468	(525)	(975)	(13,626)	(30,059)	B	1,283
Depreciation	77,856	519	832	60	(915)	C	78,352
Amortisation of land use right	543	-	-	-	-		543
Other non-cash expenses	757	-	721	-	-	D	1,478
Assets:							
Segment asset	1,232,397	21,572	66,838	20,981	(22,341)	E	1,319,447
Additions to non-current assets	181,211	11,391	26,599	278	-	F	219,479
Liabilities:							
Segment liabilities	739,563	22,105	39,240	6,144	589	G	807,641

Notes

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

A Inter-segment revenue are eliminated on consolidation.

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

	2009 RMB'000	2008 RMB'000
(Loss)/Profit from inter-segment sales	**(1,488)**	188
Finance costs net of interest income	**(29,460)**	(30,247)
Total	**(30,948)**	(30,059)

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

28. Segment information (Cont'd)

D Other non-cash expenses comprise of the following:

	2009 RMB'000	2008 RMB'000
Amortisation of government grant	**(2,110)**	(1,395)
(Write-back)/Allowance for inventories	**(1,720)**	2,269
Allowance for trade receivables	**1,406**	604
	(2,424)	1,478

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

	2009 RMB'000	2008 RMB'000
Inter-segment assets	**(16,234)**	(22,341)

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

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

	2009 RMB'000	2008 RMB'000
Deferred tax liabilities	**589**	589

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	
	2009 RMB'000	2008 RMB'000
Segment revenue by location of customers		
- PRC	**2,170,319**	2,258,751
- Overseas	**198,676**	335,473
	2,368,995	2,594,224
Capital expenditures by geographical location of assets		
- PRC	**93,599**	219,479
Segment assets by geographical location of assets		
- PRC	**1,332,627**	1,296,414
- Overseas	**4,946**	23,033
	1,337,573	1,319,447

29. Financial Instruments

Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. 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.

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group has established credit review on new customers and credit terms were only extended to creditworthy customers. It is the Group's policy which requires all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not considered to be significant.

Cash are placed with banks and financial institutions which are regulated.

At the balance sheet date, there is no significant concentration of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

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

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

	2009				2008			
	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								
Interest bearing loans and borrowing	**183,207**	**348,936**	**-**	**532,143**	156,094	393,196	-	549,290
Trade and other payables	**306,329**	**1,270**	**195**	**307,794**	288,908	164	1,097	290,169
Amounts owing to a related party	**17,238**	**2,520**	**7,561**	**27,319**	3,221	2,520	10,081	15,822
Finance lease liabilities	**2,317**	**2,527**	**-**	**4,844**	-	-	-	-
Total undiscounted financial liabilities	**509,091**	**355,253**	**7,756**	**872,100**	448,223	395,880	11,178	855,281
Company								
Interest bearing loans and borrowing	**27,312**	**-**	**-**	**27,312**	21,057	28,567	-	49,624

The Group prepares cash flows projections 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. In addition, the Group has access to interest-bearing loans and borrowings from financial institutions which is disclosed in Note 21.

29. Financial Instruments (Cont'd)

Interest rate risk

The Group's interest rate risk relates to interest-bearing borrowings which comprise borrowings from bank. The Group monitors its funding requirement and the changes in interest rates to ensure that interest payables are within acceptable level. The Company's interest rate risk is mainly limited to fixed rate financial instruments.

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

	Within 1 year	1 – 2 years	Total
	RMB'000	RMB'000	RMB'000
2009			
Fixed rate			
Interest-bearing loans and borrowings	145,069	310,000	455,069
Floating rate			
Interest-bearing loans and borrowings	27,312	-	27,312
2008			
Fixed rate			
Interest-bearing loans and borrowings	125,000	315,956	440,956
Floating rate			
Interest-bearing loans and borrowings	20,515	27,327	47,842

The fixed rate interest-bearing loans and borrowings bear interest at rates ranging from 2.20% to 7.47% (2008: 2.40% to 8.22%) per annum. Interests are at fixed rates until the maturity of the instrument.

The floating rate interest-bearing loans and borrowings is 1.10% (2008: 1.10%) over and above six months US$ Singapore Inter-Bank Offered Rate ("SIBOR"). Interest is contractually repriced at intervals of less than 6 months.

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

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.

Sensitivity analysis

At the balance sheet date, if the floating interest rate for interest-bearing loans and borrowings increase by 100 basis points, pre-tax loss would have been RMB 273,000 higher (2008: Profit RMB 478,000 lower). A decrease in 100 basis points in interest rate would have equal but opposite effect. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment, showing a significant higher volatility as in prior years. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible changes in interest rate.

29. Financial Instruments (Cont'd)

Market risk

Market risk is the risk that changes in market prices, 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.

Foreign currency risk

The Group incurs foreign currency risk on its USD denominated interest bearing loans and borrowings and Singapore dollars ("S$") cash deposits with banks. The Group does not have significant exposure to US$ denominated revenue.

The Group does not hedge its trade receivables, cash at bank, other payables and interest bearing loans and borrowings that are denominated in USD and S$.

Sensitivity analysis

At the balance sheet date, if the US$ were weakened 10% against the RMB, with all variables held constant, the Group's pre-tax loss for the year would have been RMB 2.5 million lower (2008: Profit RMB 4.3 million higher), mainly as a result of foreign exchange gains on translation of US$ currency denominated interest-bearing loans and borrowings. A 10% strengthen against the RMB would have equal but opposite effect.

At the balance sheet date, if the S$ were strengthen 10% against the RMB, with all variable held constant, the Group's pre-tax loss for the year would have been RMB 1.2 million lower (2008: Profit RMB 1.7 million higher), mainly as a result of foreign exchange gains on translation of S$ denominated bank deposit. A 10% weaken against the RMB would have equal but opposite effect. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rate.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the 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 cash equivalents. Total capital is calculated as total equity including minority interests, as shown in the consolidated balance sheet, plus net debts.

During the financial year ended 31 December 2009, the Group's strategy, which was unchanged from 31 December 2008, was to maintain a gearing ratio of less than one. The gearing ratios at 31 December 2009 and 31 December 2008 were as follows:

	2009 RMB'000	2008 RMB'000
Total borrowings	**486,747**	503,798
Less: cash and cash equivalents	**(66,782)**	(104,380)
Net debt	**419,965**	399,418
Total equity	**497,498**	511,806
Total capital	**917,463**	911,224
Gearing ratio	**0.46**	0.44

The Group and the Company are not subject to externally imposed capital requirements.

29. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2009 RMB'000		2008 RMB'000	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	150,901	150,901	147,765	147,765
Cash and cash equivalents	66,782	66,782	104,380	104,380
Interest bearing liabilities	486,747	486,747	488,798	488,798
Trade and other payables	307,794	307,794	290,169	290,169
Amounts owing to a related party	27,319	25,252	15,822	13,633

Basis for determining fair value

The carrying amount of trade and other receivables, cash and cash equivalents, floating rate interest-bearing loans and borrowing and trade and other payables approximates their fair values due to the short period to maturity. The fair value of the Group's lease obligations and fixed rate interest-bearing loans and borrowings approximates their carrying amount.

The fair value of amount owing to a related party as at 31 December 2009 was estimated via discounting the expected cash flows using a discount rate which approximate the market rate of interest. The fair value is approximately RMB10,535,000 (2008: RMB13,633,000). The difference between the carrying amount and the fair value is a gain of approximately RMB2,067,000 (2008: RMB2,189,000) which has not been recognised in the statement of comprehensive income as such policy has been consistently applied.

Interest rates used for determining fair value

The interest rates used to discount the expected cash flows are as follows:

	2009	2008
Amounts owing to a related party	**6.28%**	4.66%

30. Proposed final dividend

The directors do not recommend a dividend to be paid for the financial year ended 31 December 2009.

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2010

Issued and fully paid-up capital	:	S$57,279,768
Number of shares	:	396,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3	0.10	1,000	0.00
1,000 - 10,000	1,396	46.78	10,383,000	2.62
10,001 - 1,000,000	1,561	52.31	85,525,000	21.60
1,000,001 and above	24	0.81	300,091,000	75.78
Total	2,984	100.00	396,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 22 March 2010)

	Direct Interest		Deemed Interest	
Size of Shareholdings	No. of Shares	%	No. of Shares	%
NIU JI XING	3,900,000	0.98	157,950,000	39.89
FAITH CORPORATE INTERNATIONAL LIMITED	157,950,000	39.89	-	-
TOH BEE YONG	32,760,000	8.27	-	-

Note:

Mr Niu Ji Xing's deemed interest refers to the 157,950,000 ordinary shares held by Faith Corporate International Limited by virtue of Section 7 of the Companies Act,Cap. 50.

The shares held by Niu Ji Xing and Faith Corporate International Limited are registered in the name of Citibank Nominees Singapore Pte Ltd.

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	CITIBANK NOMINEES SINGAPORE PTE LTD	204,503,000	51.64
2.	TOH BEE YONG	32,760,000	8.27
3.	CHUA ENG ENG	10,120,002	2.56
4.	DBS VICKERS SECURITIES (S) PTE LTD	8,812,000	2.23
5.	TEO RAYMOND	4,085,000	1.03
6.	OCBC SECURITIES PRIVATE LTD	3,817,000	0.96
7.	DBS NOMINEES PTE LTD	3,776,000	0.95
8.	LIONG KIAM TECK	3,736,998	0.94
9.	UOB KAY HIAN PTE LTD	3,199,000	0.81
10.	CHEN SHUOWANG	2,725,000	0.69
11.	TEO POH SUAN	2,717,000	0.69
12.	CIMB-GK SECURITIES PTE. LTD.	2,636,000	0.67
13.	BANK OF CHINA NOMINEES PTE LTD	2,198,000	0.56
14.	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,044,000	0.52
15.	PHILLIP SECURITIES PTE LTD	1,800,000	0.45
16.	KO AH HUEY	1,467,000	0.37
17.	TAN YONG CHIANG OR TAN HUI LIANG	1,403,000	0.35
18.	CITIBANK CONSUMER NOMINEES PTE LTD	1,365,000	0.34
19.	KIM ENG SECURITIES PTE. LTD.	1,271,000	0.32
20.	SIM SOO THONG	1,267,000	0.32
	TOTAL	295,702,000	74.67

FREE FLOAT

Based on the information provided to the Company as at 22 March 2010, approximately 44.4% 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 at Falcon Room, Level 3, Laguna National Golf & Country Club, 11, Laguna Golf Green, Singapore 488047, on Wednesday, 28 April 2010 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts for the financial year ended 31 December 2009, together with the Reports of the Directors and the Auditors and the Statement of Directors. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Article 107 of the Company's Articles of Associations:

   Mr Gao Zhong Fa **(Resolution 2)**
   Mr Kong Xiang Chao **(Resolution 3)**

   Mr Kong Xiang Chao will, upon re-election as a Director of the Company, remain as a member of the Audit Committee. The Board considers Mr Kong Xiang Chao to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of RMB 717,113 for the financial year ended 31 December 2009. **(Resolution 4)**

4. To approve the payment of Directors' fees of SGD 130,000 and RMB 150,000 for the financial year ending 31 December 2010, to be paid quarterly in arrears. **(Resolution 5)**

5. To re-appoint Mazars LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions as ordinary resolutions, with or without any modifications:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50, the Articles and Association and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights 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) options, 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 of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such 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 total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent consolidation or subdivision of shares;

(3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro rata renounceable rights issues;

(4) in exercising the authority conferred by this Resolution, the Company 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 of the Company; and

(5) unless revoked or varied by the Company in a general meeting, such 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, or in relation to sub-paragraph (3) above, 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

[See explanatory note (i) below] **(Resolution 7)**

8. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount not exceeding twenty per centum (20%) to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that :-

(a) in exercising the authority conferred by this Resolution, the Company complies 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 of the Company; and

(b) unless revoked or varied by the Company in general meeting, such 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, or 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

[See explanatory note (ii) below] **(Resolution 8)**

9. "That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "**Companies Act**"), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares ("**Shares**") in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("SGX-ST") transacted through the Central Limit Order Book (CLOB) trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the directors of the Company as they consider fit, such scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;

(c) in this Resolution:

"**Prescribed Limit**" means 10 percent of the issued ordinary Shares of the Company as at the date of the passing of this Resolution; and "**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase : 105 percent of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase : 120 percent of the Highest Last Dealt Price,

where:

"**Average Closing Price**" is the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See explanatory note (iii) below] **(Resolution 9)**

10. That the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Luzhou Performance Share Scheme and to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of awards under the Scheme, provided that the aggregate number of new shares to be allotted and issued pursuant to the Scheme shall not exceed 15 per cent (15%) of the total issued shares from time to time.

[See explanatory note (iv) below] **(Resolution 10)**

BY ORDER OF THE BOARD

Tan Chee How
Company Secretary

Singapore
12 April 2010

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(ii) The Ordinary Resolution 8 in item 8 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

(iii) Ordinary Resolution 9 above, if passed, will renew the Share Purchase Mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms and subject to the conditions of the Resolution. Further details are set out in the letter to shareholders which is enclosed with the Company's Annual Report.

(iv) Ordinary Resolution 10 above, if passed, will renew the Luzhou Performance Share Scheme to empower the Directors of the Company to grant awards and allot and issue fully paid-up shares pursuant to the Scheme.

Notes:

(1) A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

(2) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(3) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(4) The instrument appointing a proxy must be deposited at the Company's registered office at 88 Amoy Street, Level Three, Singapore 069907, not less than 48 hours before the time appointed for holding the Annual General Meeting.

PROXY FORM
ANNUAL GENERAL MEETING

LUZHOU BIO-CHEM TECHNOLOGY LIMITED
(COMPANY REGISTRATION NO. 200412523N)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in the capital of Luzhou Bio-chem Technology Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of Luzhou Bio-chem Technology Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on Wednesday, 28 April 2010 at 3.00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
	Ordinary Business		
1	Audited accounts for the financial year ended 31 December 2009 and Reports of the Directors and Auditors and Statement of Directors		
2	Re-election of Mr Gao Zhong Fa as a Director		
3	Re-election of Mr Kong Xiang Chao as a Director		
4	Approval of payment of Directors' fees amounting to RMB 717,113, for the financial year ended 31 December 2009		
5	Approval of payment of Directors' fees of SGD 130,000 and RMB 150,000, for the financial year ending 31 December 2010, to be paid quarterly in arrears		
6	Re-appointment of Mazars LLP as Auditors and authorisation of the Directors to fix their remuneration		
	Special Business		
7	Authority to allot and issue new shares		
8	Authority to issue shares other than on a pro-rata basis pursuant to the share issue mandate at discounts not exceeding 20%		
9	Authority to purchase or otherwise acquire issued shares		
10	Authority to grant awards and allot and issue shares pursuant to the Luzhou Performance Share Scheme		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ______________ day of ______________ 2010

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

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

PROXY FORM
ANNUAL GENERAL MEETING

LUZHOU BIO-CHEM TECHNOLOGY LIMITED
(COMPANY REGISTRATION NO. 200412523N)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A proxy need not be a member of the Company.

4. 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 130A of the Companies Act, Cap. 50 of Singapore), 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 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 will be deemed to relate to all the shares held by you.

5. This proxy form must be deposited at the Company's registered office at 88 Amoy Street Level Three Singapore 069907, not less than 48 hours before the time set for the Meeting.

6. This proxy form must be 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 its attorney or a duly authorised officer.

7. 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 duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.

General

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

LUZHOU BIO-CHEM TECHNOLOGY LIMITED
(Company Registration Number: 200412523N)
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