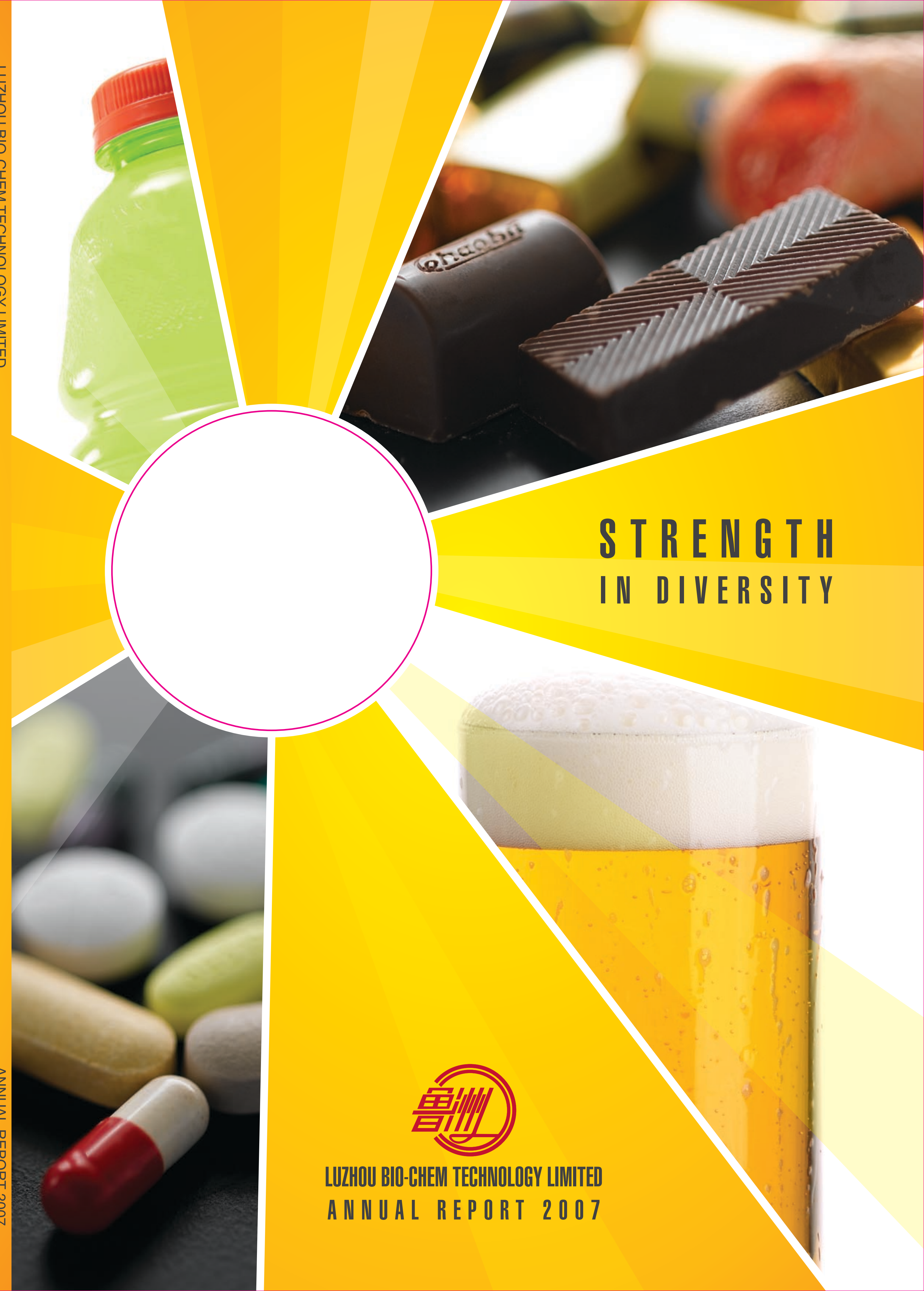
LUZHOU BIO-CHEM TECHNOLOGY LIMITED
No. 137 Market Street, #07-02, The Bank of East Asia Building, Singapore 048943
Tel: (65) 6225 0148 • Fax: (65) 6225 1147 • www.luzhou.com.sg

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

ANNUAL REPORT 2007

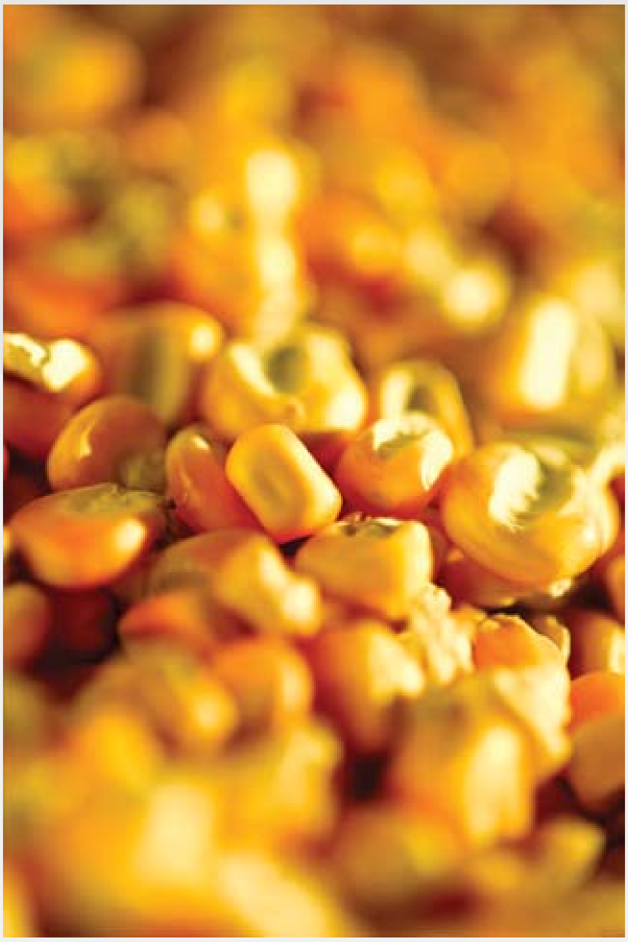


STRENGTH
IN DIVERSITY

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

ANNUAL REPORT 2007

CONTENTS



Established in 1988, Luzhou Bio-chem Technology Limited ("Luzhou") is a leading corn refiner and one of the largest producers of corn sweeteners in the PRC.

Luzhou currently operates six production facilities in the PRC, with a total production capacity of 990,000 tonnes per annum. Luzhou has two production facilities in Yishui, Shandong Province, and one each in Fushun, Liaoning Province, Xingping, Shaanxi Province, Xiping, Henan Province and Pengshan, Sichuan Province. Most of its facilities straddle key corn and agricultural producing provinces to cover most parts of the PRC market and are near sources of raw materials.

Luzhou's strength lies in its strong research and product development capabilities. Its products are used by its domestic and overseas customers as additives or ingredients in the manufacture of their products. Luzhou serves a diverse customer base in industries such as the food, beverage, fermentation, medical and pharmaceutical. Some of its customers include Tsingtao Brewery Co., Ltd（青岛啤酒股份有限公司）, Beijing Wangwang Food Co., Ltd （北京旺旺食品有限公司）, Dujiangyan Plant Oil Factory （都江堰植物油厂), China Resources Breweries Liaoning Co., Ltd （华润雪花啤酒（辽宁）有限公司） and Henan Lian Hua Tian An Food Co., Ltd （河南莲花天安食业有限公司).

Luzhou was listed on the Main Board of the Singapore Exchange Securities Trading Limited in February 2006.

MANAGING DIRECTOR'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Luzhou Bio-chem Technology Limited ("Luzhou" or the "Group") for the financial year ended 31 December 2007 ("FY2007").

THE YEAR IN REVIEW

FY2007 has been a challenging year for Luzhou. While we expanded our operations and consolidated our market position to grow in tandem with the increasing demand for our products, soaring corn prices eroded our margins and impacted our bottomline.

Strong revenue growth has come as a result of expansions to our production capabilities, which we undertook in anticipation of continued growth in the demand for corn sweeteners. I am pleased to report that this strategy has borne fruit, with sales to customers from all industries registering impressive gains throughout the year, and the food and beverage industry showing particular promise.

However, we also faced a number of challenges in FY2007, with global supply and demand factors, together with environmental impacts and factors beyond our control conspiring to keep corn prices at a persistently high level. Nevertheless, our strategy of focusing on higher value products enabled us to better weather the effect of rising raw materials prices and I am pleased with the progress the Group has made, in spite of the challenging operating environment.

The Group recorded strong revenue growth for FY2007, driven by enhancements to our production capabilities that allowed us to ride on rising demand for corn sweeteners from almost all of our major markets. Group revenue surged 48.4% to RMB2.2 billion in FY2007, up from RMB1.5 billion in FY2006. These gains were anchored by a 34.2% increase in sales to the food and beverages ("F&B") industry in the PRC, which we had previously identified as a rich source of opportunities and which was also a motivating factor in our expansion plans. We continued to build on the Group's position as a leading supplier of corn sweeteners, with sales to the F&B industry alone totaling some RMB1.5 billion in FY2007.

In line with the Group's strategy to focus on higher value corn sweeteners, sales revenue for corn sweeteners surged 52.0% to RMB1.5 billion, contributing 70.6% of total revenue for the year under review. Correspondingly, sales of corn starch fell 18.6% to RMB157.1 million, making up 7.2% of total revenue in FY2007. Higher sweetener production also resulted in higher volumes of by-products, with sales from by-products and other products registering an 83.9% increase to RMB483.3 million and accounting for 22.2% of total FY2007 revenue.

The rising cost of raw materials was the largest challenge facing the Group in FY2007. Higher corn prices had a significant effect on our margins, with overall gross margin decreasing from 18.5% in FY2006 to 12.0% in FY2007. As a result, net profit for FY2007 was lower at RMB 54.5 million, as opposed to RMB126.0 million in the previous financial year. Earnings per share also fell to 14.3 RMB cents, although net asset value per share rose to 133.9 RMB cents as compared to 93.6 RMB cents in FY2006.

On a more positive note, FY2007 saw the commencement of operations at the Group's two newest production facilities in Yishui, Shandong Province and Pengshan, Sichuan Province. Both facilities commenced production in January last year, and allowed us to expand our annual production capacity by 41.5% from 650,000 tonnes in FY2006 to 920,000 tonnes in FY2007.

We continue to observe strong growth in the demand for corn sweeteners and our enhanced production capacity has been put to good use, supporting the Group's strategy and allowing us to build on our commanding position as one of the largest suppliers of corn sweeteners within the PRC. We believe this will stand us in good stead as the market for corn sweeteners continues to expand, and allows us to capitalise on our market position.

CHALLENGES AHEAD

We expect the effects of snowstorms that battered southern China to persist into the early part of 2008 and are mindful that our operating environment is likely to remain challenging for the first quarter of the year.

Going forward, we continue to pursue a strategy of expansion in the PRC, particularly with respect to our range of higher value products such as higher value corn sweeteners and special feed products. We will continue to seek opportunities to increase our production capacity and further improve operating efficiencies.

In January 2008, the Group commenced trial production for its facilities which added another 70,000 tonnes per annum to its plant in Pengshan, Sichuan Province. Focusing on the production of higher value corn sweeteners, the plant now has a production capacity of 140,000 tonnes per annum. As a result, the Group's total annual production capacity increased by 7.6% to 990,000 tonnes this year.

To develop higher value-add special feed products from corn processing by-products, the Group plans to complete the installation of a new production line with an annual production capacity of 20,000 tonnes in its Shandong plant, which is expected to be completed in the second half of 2008.

OUTLOOK

Going forward, we remain optimistic about the market for corn sweeteners in the PRC. We base this outlook on our observations of rising demand from a number of key industries including food, beverages, fermentation and pharmaceuticals. We believe that China's sustained economic development, and the corresponding rise in affluence of the Chinese consumer will continue to drive stronger demand and higher volumes for our products, and are confident that there remains considerable potential for growth.

In spite of this, we are also mindful of the challenges facing the Group, and will continue to seek out incremental enhancements to our production capabilities and further improvements to our operating efficiency as a means of enhancing Group performance. Our strength as a company continues to lie in our strong research and product development capabilities and our diverse customer base serving both domestic and foreign clientele in a wide range of industries. I am confident of our ability to harness these strengths and leverage on our capabilities to secure a strong and sustainable competitive position for Luzhou in the years ahead.

APPRECIATION

As a gesture of appreciation to our shareholders for their loyal support, the Board of Directors is pleased to recommend a first and final dividend of 6.8 RMB cents per share for FY2007. This is similar to the dividend payout declared in FY2006 and represents 49.4%, or RMB26.9 million of the Group's profit after taxation for FY2007.

On behalf of the Board of Directors, I would also like to extend my sincere and heartfelt thanks to all those who have contributed to our Group in FY2007. To my fellow colleagues, I thank you for your commitment and contributions to the growth of the Group. With your continued support, we are confident that Luzhou can continue to harness its strengths and build a better and brighter future for all.

Mr Niu Ji Xing
Managing Director

尊敬的股东们，

我很高兴代表董事会提交鲁洲生物科技有限公司（“鲁洲”或“集团”）2007财年（结束于2007年12月31日）年度报告。

回顾2007年

对鲁洲来说，2007财年是一个富有挑战性的一年。在我们扩大经营规模、巩固市场地位以保持与不断上涨的产品需求增长同步的同时，不断上涨的玉米价格侵吞了我们的利润并影响到我们的利润底线。

我们预期玉米淀粉糖市场需求将持续增长，所以我们在2007年实施了产能扩张，销售收入也因此出现了强劲增长。我很高兴告诉大家，这个策略已卓有成效，2007年全年来自各个行业客户的销售额出现了极大的增长，并且食品和饮料行业显示出了极好的增长前景。

但是，由于全球的供需、环境及各种我们无法控制的因素的影响，玉米价格长久保持在高位水平，使我们在2007财年面对了许多挑战。尽管如此，我们致力于生产高价值产品的策略使我们较好地经受住了不断上涨的原材料价格所带来的压力。同时，我为集团面对富有挑战的经营环境而依然取得的发展成就感到高兴。

在产能改造的驱动下，集团得以充分利用来自我们几乎所有主要市场的不断上涨的玉米淀粉糖市场需求，在2007财年创下了强劲的销售收入增长业绩。2007财年集团销售收入大幅增长48.4%，从2006财年的人民币15亿元增长到人民币22亿元。此增长受到来自中国食品和饮料行业的销售额增长的强大支持。来自中国食品和饮料行业的销售额在2007财年增长34.2%，我们以前便已看好这两个行业，并将其视为我们的发展机会和实施产能扩张的激发因素。随着来自食品和饮料行业的销售额合计约人民币15亿元，我们继续巩固了集团作为最主要玉米淀粉糖供应商的地位。

基于集团致力于高价值玉米淀粉糖的策略，2007财年玉米淀粉糖销售收入大幅增长52.0%，达人民币15亿元，占总销售收入的70.6%。相应地，2007财年玉米淀粉销售收入下降18.6%，下降到人民币1亿5713万元，占总销售收入的7.2%。高价值淀粉糖产品也导致了副产品产量的增长，2007财年副产品销售收入和其他产品销售收入增长83.9%，达人民币4亿8326万元，占总销售收入的22.2%。

不断上涨的原材料价格是集团在2007财年面临的最大挑战。较高的玉米价格对我们的利润具有重大影响，使整体毛利率从2006财年的18.5%下降到2007财年的12%。因此，2007财年净利润较低，为人民币5450万元，而上年净利润为人民币1亿2600万元。在2007财年，每股收益也跌至人民币14.3分，而每股净资产价值与2006财年的人民币93.6分相比增长到人民币133.9分。

一个较好的消息是，集团在山东沂水和四川彭山的两家新生产工厂在2007财年开始运营。这两家工厂在上年1月份开始生产，这使我们的年产能扩大41.5%，从2006财年的65万吨扩大到2007财年的92万吨。

我们继续看到了玉米淀粉糖市场需求的强劲增长，同时我们提高的产能已投入正常使用，支持了集团的策略，使我们巩固了我们作为中国最大的玉米淀粉糖供应商之一的绝对地位。我们相信，随着玉米淀粉糖市场持续扩大，这将给我们带来极大的好处，并将使我们更好的利用我们的市场地位。

前方的挑战

我们预计袭卷中国南部地区的暴雪影响将在2008年年初持续存在，并且意识到我们在本年第一季度的经营环境仍是富有挑战性的。

放眼将来，集团会在中国继续我们的扩张策略，特别是扩大高价值产品范围，如高价值玉米淀粉糖和特殊饲料产品。我们将继续寻找机会增加我们的产能，并进一步提高运营效率。

在2008年1月，集团在四川彭山工厂具有7万吨年产能的新车间开始试生产。该工厂重点生产高价值玉米淀粉糖产品，现在已具有14万吨的年产能。因此，集团总年产能今年增长7.6%，达99万吨。

为从玉米加工副产品中开发高附加值特殊饲料产品，集团计划在山东工厂完成安装一条具有2万吨年产能的新生产线，预计在2008年下半年完工。

前景

展望未来，我们对中国玉米淀粉糖的市场需求仍持乐观态度。此观点是从我们对来自食品、饮料、发酵和医药等许多主要行业不断上涨的需求的观察中得出的。我们相信，中国的持续经济发展和中国消费者收入水平的相应增长将继续驱动市场对我们产品的强劲需求和数量增加，我们也确信仍然存在相当大的增长潜力。

尽管如此，我们也会留心集团所面临的挑战，并将继续提高产能和我们的运营效率，并将此作为提高集团业绩的手段。我们公司的优势依然在于我们强大的研发能力和来自国内外各个行业的多样化的客户群体。我自信集团有能力利用这些优势和我们的产能来确保鲁洲生物科技有限公司在以后年度的强大、持续竞争地位。

感谢语

为感谢股东的真诚支持，董事会很高兴建议发放2007财年每股人民币6.8分的期初和期末股息，这与2006财年宣布支付的股息相近，此笔股息相当于2007财年税后利润的49.4%，为人民币2,690万元。

我代表董事会也向在2007财年为集团做出贡献的所有人表示诚挚的、衷心的感谢。对于我的同事们，我感谢你们为集团成长所做出的贡献。有你们的继续支持，我们坚信鲁洲将继续利用其优势为大家建设一个更加美好、光明的未来。

牛继星先生
管理董事

HARNESSING OUR STRENGTHS

Our strength as a company continues to lie in our strong research and product development capabilities and our diverse customer base serving both domestic and foreign clientele in a wide range of industries.

OPERATIONS REVIEW

Improved production capacity and strong demand growth across a number of industries sparked another record year for Group revenue in FY2007. The Group reported a 48.4% surge in revenue to RMB 2.2 billion in FY2007, up from RMB1.5 billion in FY2006.

In line with the Group's strategy to focus its efforts on higher value sweeteners, revenue from that core product segment increased by 52.0% to RMB1.5 billion from RMB1.0 billion in FY2006. This was mainly due to robust demand from new and existing customers, as well as the Group's completion of enhancements to its production plants to convert more corn starch into corn sweeteners.

Revenue from the sale of corn starch declined by 18.6% to RMB157.1 million as a result of greater conversion of corn flour into sweeteners. The Group's higher production volume from capacity expansion resulted in increased revenue from the sale of by-products and others which rose 83.9% to RMB483.3 million in FY2007.

Global supply and demand factors fueled a sharp rise in corn prices during FY2007, keeping corn prices at a persistently high level for much of the year. While the Group pressed ahead with its strategy of focusing on higher value products as well as increasing operating efficiency, these initiatives were unable to fully offset the impact of the sharp rise in corn prices on the Group's gross profit margins. As a result, the Group's gross profit margin declined from 18.5% in FY2006 to 12.0% in FY2007.

In FY2007, the Group's selling and distribution expenses increased by 32.1% to RMB120.5 million, in line with the increase in business volume. Selling and distribution expenses as a percentage of revenue actually declined, however, with a number of fixed overheads remaining relatively stable in spite of the significant revenue growth.

Administrative expenses rose by 33.2% to RMB 84.4 million as a result of the additional production facilities at Luzhou Bio-chem Technology (Sichuan) Co., Ltd and Luzhou Bio-chem Technology Co., Ltd – Yishui branch, both of which commenced full scale production in FY2007, as well as increases in our corporate and compliance overheads as a result of the Group's listed status.

Finance costs increased by 120.9% to RMB25.6 million in FY2007, due mainly to an increase in interest-bearing loans for higher working capital requirements and capital expenditure necessitated by expanded business operations, together with the effects of higher interest rates.

As a result, net profit for FY2007 stood at RMB54.5 million, down from RMB126.0 million in FY2006.

Earnings per share for FY2007 were lower at 14.3 RMB cents as compared to 36.6 RMB cents for FY2006. Net asset value per ordinary share for the Group was 133.9 RMB cents as compared to 93.6 RMB cents in FY2006.

FOCUS ON CORE PRODUCTS

In January 2007, Luzhou's two new production facilities in Yishui, Shandong Province and Pengshan, Sichuan Province commenced their operations.

With the completion of enhancements to the Group's production facilities, the Group was able to increase the sales of corn sweeteners. This was in line with the Group's decision to concentrate on its core products. Revenue from sweeteners made up 70.6% or RMB1.5 billion of total Group revenue in FY2007 as opposed to 68.9% or RMB1.0 billion in FY2006. The Group continued to see an increase in demand and rising sales volumes from both new and existing customers and this resulted in an increase to the average selling price for its corn sweeteners.

As a result of a greater conversion of corn starch to corn sweeteners, corn starch volume decreased to 7.2% of Group revenue in FY2007. As a result of the general expansion in production capacity, the volumes of by-products produced also increased, contributing 22.2% of the Group's revenue in FY2007.

We continue to see strong demand for corn sweeteners as they gain popularity in our customers' manufacturing processes. Corn sweeteners have also continued to gain acceptance as a healthy and cost effective alternative to cane sugar, and we noted particularly strong demand from customers in the food and beverage industry, particularly for our higher value high fructose syrup. Sales to the food and beverage industry alone increased by 34.2% to RMB1.5 billion, while sales from the fermentation industry surged 85.5% to RMB324.7 million. Sales to customers in other industries also posted an impressive 90.9% growth to RMB400.5 million, underlining the potential applications for the Group's products in a variety of industries.

Export revenue accounted for 13.0% of Group revenue, increasing from RMB194.1 million in FY2006 to RMB284.1 million in FY2007.

PROSPECTS AND GROWTH STRATEGIES

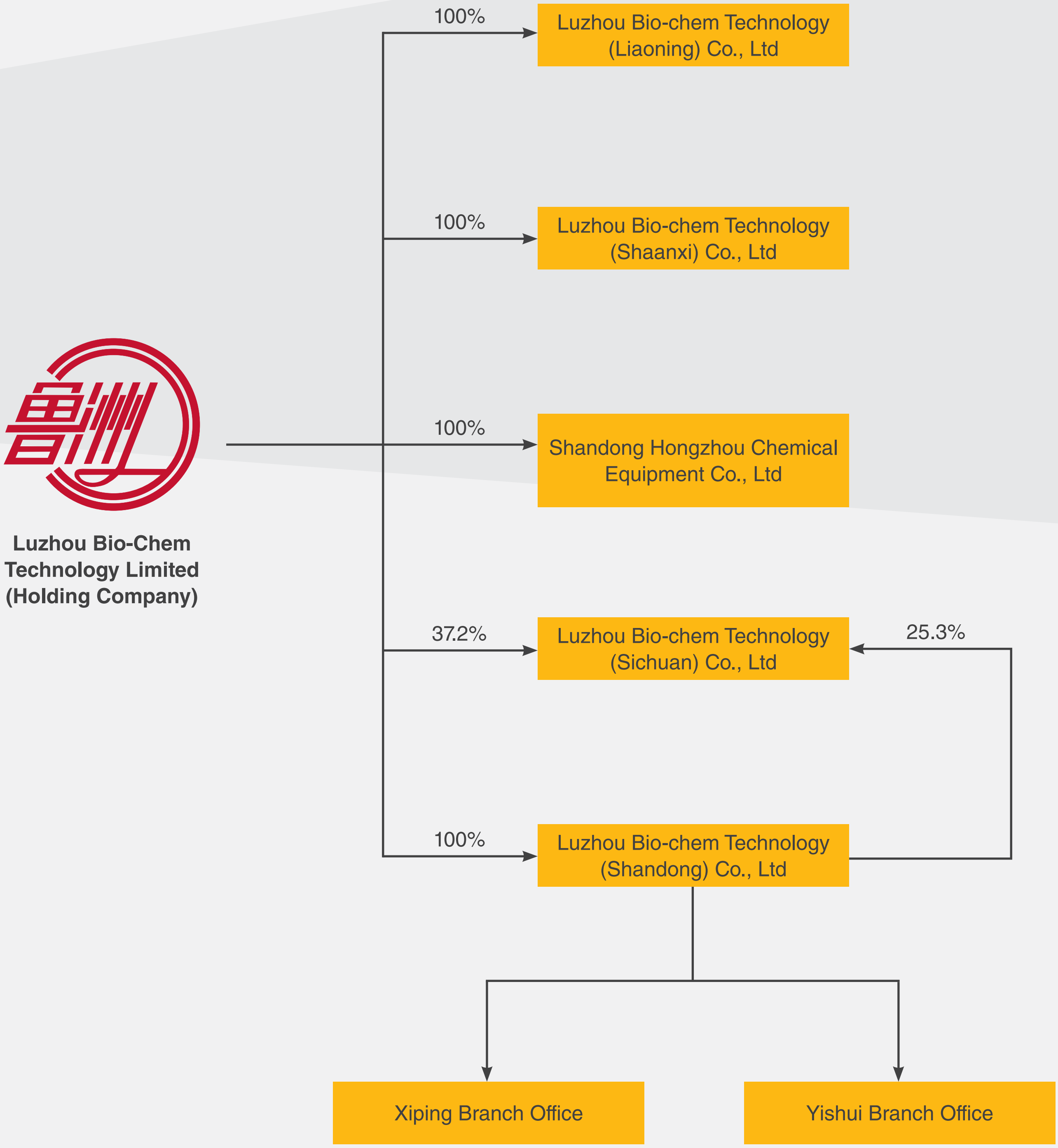
Given the harsh weather conditions affecting many parts of China, the Group expects that its operating environment will remain challenging through the first quarter of FY2008. In spite of this, it remains optimistic about the demand and prospects for corn sweeteners in the PRC from various industries, particularly with respect to food and beverages, fermentation and pharmaceuticals.

In January 2008, the Group added another 70,000 tonnes per annum of production capacity to its plant in Pengshan, Sichuan Province. The plant now has a production capacity of 140,000 tonnes per annum. As a result, the Group's total annual production capacity increased by 7.6% from 920,000 tonnes to 990,000 tonnes.

To develop higher value-add special feed products from its corn processing by-products to maximise returns, the Group plans to complete the installation of a new production line with an annual production capacity of 20,000 tonnes in its Shandong plant, which is expected to be completed in the second half of 2008.

To reduce operating costs and boost production capacities, the Group also intends to install additional thermoelectricity generators in its Liaoning and Shaanxi plants, which are slated to be completed by end 2008.

Going forward, the Group remains committed to the expansion of its range of higher value products comprising higher value sweeteners and special feed products. The Group will also seek opportunities to increase its production capacity and further improve operating efficiencies.


Luzhou Bio-Chem
Technology Limited
(Holding Company)
100%
Luzhou Bio-chem Technology
(Liaoning) Co., Ltd
100%
Luzhou Bio-chem Technology
(Shaanxi) Co., Ltd
100%
Shandong Hongzhou Chemical
Equipment Co., Ltd
37.2%
Luzhou Bio-chem Technology
(Sichuan) Co., Ltd
25.3%
100%
Luzhou Bio-chem Technology
(Shandong) Co., Ltd
Xiping Branch Office
Yishui Branch Office

FINANCIAL HIGHLIGHTS

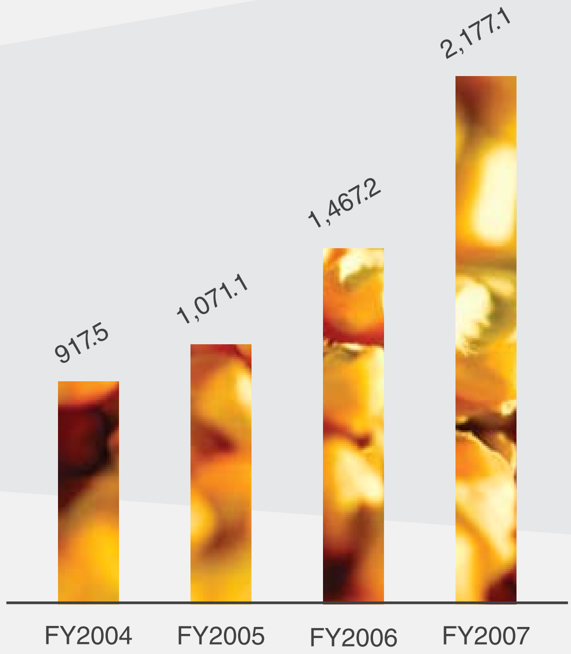
GROUP FINANCIAL HIGHLIGHTS

Income Statement for financial year ended 31 December 2007

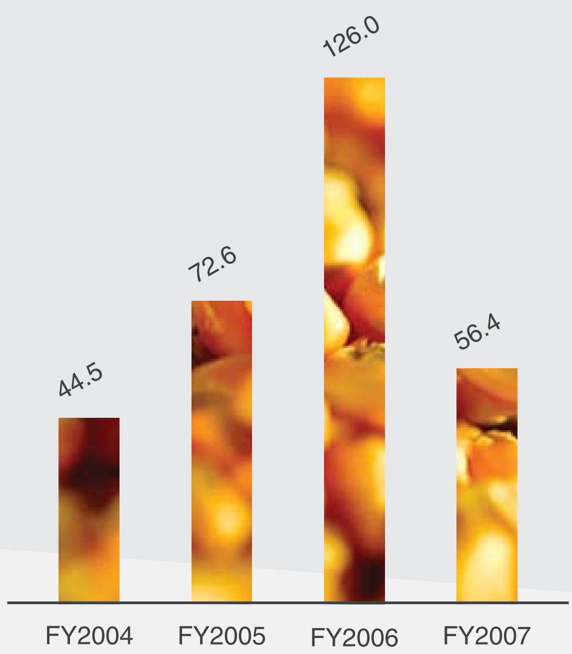
	Proforma **2004 RMB million**	*Audited* **2005 RMB million**	*Audited* **2006 RMB million**	*Audited* **2007 RMB million**
Revenue	917.5	1,071.1	1,467.2	2,177.1
Earnings Before Interests, Tax, Depreciation and Amortisation (“EBITDA”)	70.4	106.4	178.6	153.0
Net Profit Before Tax	44.5	72.6	126.8	54.9
Net Profit After Tax and Minority Interest (“PATMI”)	44.5	72.6	126.0	56.4
Net Profit Margin (%)	4.9%	6.8%	8.6%	2.6%
Revenue by Business Segments				
- Sweeteners	60.3%	65.1%	68.9%	70.6%
- Corn starch	15.9%	15.6%	13.2%	7.2%
- By-products and others	23.8%	19.3%	17.9%	22.2%
	100.0%	**100.0%**	**100.0%**	**100.0%**
Revenue by Geographical Segments				
- PRC	92.4%	87.3%	86.8%	87.0%
- Other countries	7.6%	12.7%	13.2%	13.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

	Proforma **2004 RMB million**	*Audited* **2005 RMB million**	*Audited* **2006 RMB million**	*Audited* **2007 RMB million**
At Year End				
Net Current Assets	(70.6)	14.6	78.4	114.6
Total Assets	296.1	478.3	956.6	1,268.3
Total Equity	40.4	114.0	336.9	530.3
Total Liabilities	255.7	364.3	619.7	738.0
Cash and cash equivalents	34.6	94.3	77.8	75.4
Per Share				
Earnings per share (RMB cents)	17.1	27.9	36.6	14.3
Net tangible asset per ordinary share (RMB cents)	15.6	43.8	93.6	133.9
Dividend per share (RMB cents)	-	4.1	6.8	6.8
Returns				
Return on Revenue	4.9%	6.8%	8.6%	2.6%
Return on Shareholders’ Equity	110.1%	63.7%	37.4%	10.6%
Return on Total Assets	15.0%	15.2%	13.2%	4.4%
Ratios				
- Inventory turnover	21	28	42	44
- Trade receivables	9	11	12	15
- Trade payables	30	37	32	27
- Debt to Equity Ratio (Times)	2.6	1.6	1.0	0.8

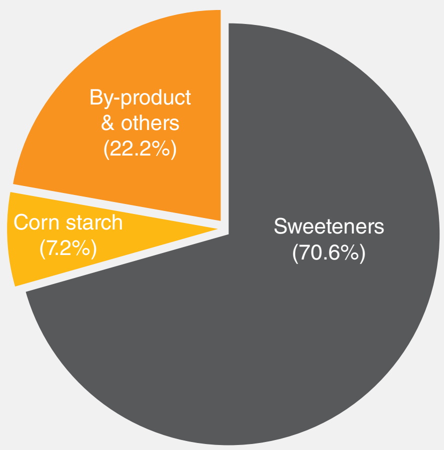
REVENUE
(RMB'million)



NET PROFIT AFTER TAX AND MINORITY INTEREST
(RMB'million)

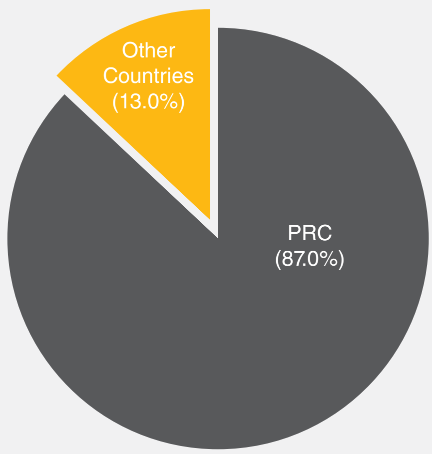


REVENUE BY BUSINESS SEGMENTS



FY2007

REVENUE BY GEOGRAPHICAL SEGMENTS



FY2007

BOARD OF DIRECTORS

NIU JI XING

Niu Ji Xing is our Founder and Managing Director. 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 4th Council of China Food Industry Association (sweeteners) (中国食品工业协会糖果专业委员会第四届理事会) 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

Gao Zhong Fa is our Executive Director and Group General Manager. Mr Gao is responsible for the overall business operations and the day-to-day management of our Group. 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 recognized as a contributor to the National Food Product Advanced Management of Science and Technology (全国食品工业技术先进技术管理工作者).

WANG DE YOU

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 Linyi Grain Association (临沂市粮食行业协会第一届理事会).

KONG XIANG CHAO

Kong Xiang Chao is our Non-Executive 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 the Jiangsu Senior Economist Board Accreditation Committee (江苏省经济专业高级职称评审委员会) in 1994. Kong Xiang Chao was appointed Deputy Secretary-General of the Candy Committee of the China Food Industry Association (中国食品工业协会) in 2000.

TEOH TEIK KEE

Teoh Teik Kee is our Independent Director, and is currently an Executive Director of ecoWise Holdings Limited where he is responsible for overseeing corporate planning, mergers and acquisitions as well as implementation of business strategy. He is also an Independent Director of Hong Kong listed City e-Solutions Limited.

Mr. Teoh is a Chartered Accountant by training, and worked with KPMG Peat Marwick McLintock in London and with PricewaterhouseCoopers in Singapore. Mr. Teoh 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, England with a B.Sc. (Hons) in Managerial and Administrative Studies. He is a member of the Institute of Chartered Accountants in England and Wales as well as a member of the Association of Corporate Treasurers in the United Kingdom.

ONG WEI JIN

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 NTI International Ltd and China XLX Fertiliser Ltd, both companies are listed on the SGX-ST.

SENIOR MANAGEMENT

ZHANG KE

Zhang Ke is our Group deputy General Manager (Adminstration and Human Resource) and is primarily overseeing the human resource and other general administrative functions of our Group. He started his career with Shandong Luzhou in April 1996 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 before assuming his current position.

He graduated with a degree in economics from Shandong Economic College in 1997.

ZHANG CONG QIAO

Zhang Cong Qiao is our Chief Financial Controller, and is responsible for the accounting, reporting and other financial functions of our Group. He is well-versed in the accounting and financial fields and has more than 15 years of experience in these aspects, particularly auditing and financial management. He started his career as a certified public accountant in the PRC in 1985 and continued his practice as a public auditor and tax consultant till 2003. He joined Shandong Luzhou as its divisional finance deputy general manager in September 2003 before he joined our Company as Chief Financial Controller following our listing.

Zhang Cong Qiao obtained a degree in cost analysis from the Shandong Economic College in October 1989 and holds qualifications as a certified public accountant, valuer, tax consultant, auditor and construction cost analyst in the PRC.

NIU JI CHAO

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.

LEO JENN ING, JENNIE

Leo Jenn Ing, Jennie is the Group Finance Manager as well as the Joint Company Secretary and is responsible for the corporate finance function of our Group. She also oversees matters relating to accounting, financial administration, and our ongoing compliance and reporting obligations. Prior to joining our Group, Ms Leo was employed by Semitech Electronics Ltd from 2002 to 2005, where she was the Finance Manager and Joint Company Secretary and was responsible for the financial reporting functions of the company and also assisted in preparations for that company's listing on the SGX-ST in December 2002. After the company's listing, she was responsible for statutory matters as well as ensuring compliance with listing requirements and corporate governance. From 2001 to 2002, she was an accountant at OUB Centre Limited where she was responsible for day-to-day accounting and finance matters. From 1998 to 2001, she was an assistant accountant at Enersave Holdings Limited where she assisted in preparing financial statements for the group's business units.

Leo Jenn Ing, Jennie holds a Bachelor of Accountancy degree from Nanyang Technological University and is a non-practising member of the Institute of Certified Public Accountants of Singapore.

MAO DE QING

Mao De Qing is the Group Deputy General Manager (Sales and Supply). His primary responsibilities relate to the daily operations, management, sales and purchase and procurement of our subsidiaries. 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 joining our Group, Mao De Qing had assumed the post of deputy general manager of Shandong Luzhou from September 2004. He has received formal education up to pre-University level.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Niu Ji Xing	*(Managing Director)*
Gao Zhong Fa	*(Executive Director)*
Wang De You	*(Executive Director)*
Kong Xiang Chao	*(Independent Director)*
Teoh Teik Kee	*(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 SECRETARIES

Leo Jenn Ing, Jennie, CPA
Vincent Lim Bock Hui, LLB (Hons)

REGISTERED OFFICE

88 Amoy Street Level Three
Singapore 069907

SINGAPORE OFFICE

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The Bank of East Asia Building
Singapore 048943
Tel: (65) 6225 0148
Fax: (65) 6225 1147

HEAD OFFICE AND PRINCIPAL PLACE OF ADDRESS

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.
3 Church Street #08-01
Samsung Hub
Singapore 048983

AUDITORS

Mazars Moores Rowland LLP
133 Cecil Street #15-02
Keck Seng Tower
Singapore 069535

Partner in charge: Mr Choo Chai Leong (appointed 2007)

LEGAL ADVISOR

Loo & Partners
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 ADVISOR

Citigate Dewe Rogerson,i.MAGE
1 Raffles Place #26-02
OUB Centre
Singapore 048616

INVESTOR RELATIONS CONTACT

Ms Jennie Leo
Email: jennieleo@luzhou.sg

The Board of Directors (the "Board") of Luzhou Bio-chem Technology Limited (the "Company") recognises the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company by complying with the benchmark set by the Code of Corporate Governance 2005 (the "Code") issued by the Ministry of Finance on 14 July 2005.

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

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2007, the Company has generally adhered to 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 bring with them diversity of experience which will enable them to contribute effectively to the Company.

The principal functions of the Board, apart from its statutory responsibilities, 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 assist in the execution of its 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 when they are deemed necessary. In between Board meetings, other important matters will be put to the Board's approval by way of circulating resolutions in writing. The Company's Articles of Association provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

Newly appointed directors are given an orientation on the Group's business strategies and operations. Directors also have 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 governance practices. All directors who have no prior experience as directors of a listed company will undergo training and briefing on the roles and responsibilities as directors of a listed company.

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	Managing Director
Gao Zhong Fa	Executive Director
Wang De You	Executive Director

NON-EXECUTIVE DIRECTORS

Kong Xiang Chao	Independent Director
Teoh Teik Kee	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 as a result of its review. The NC has reviewed the independence of Mr Kong Xiang Chao and is of the view that he has satisfied the criteria of independence with effect from 1 January 2008. The independence of each independent director will be reviewed annually by the NC.

The composition of the Board will be reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies. Together, the directors as a group provide core competencies in business, accounting, investment, audit and taxation and legal matters.

The independent directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the executive directors and executive officers.

The profiles of the directors are set out on pages 12 and 13 of 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 Managing Director of the Company and bears executive responsibility for the Group's business performance. He also assumes the responsibility of the Chairman of the Board and is responsible for scheduling Board meetings as and when required, setting the agenda for Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He is also responsible for ensuring compliance with the Company's guidelines on corporate governance.

The Company has not created a separate Chairman position as the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Board is of the view that with the establishment of the three Board committees, there are adequate safeguards in place 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 Age : 39	Executive director	17 November 2004	28 April 2006	None	None
Gao Zhong Fa Age : 46	Executive director	13 May 2005	23 April 2007	None	None
Wang De You Age : 45	Executive director	13 May 2005	23 April 2007	None	None
Kong Xiang Chao Age : 63	Non-executive independent director	13 May 2005	23 April 2007	None	None
Teoh Teik Kee Age : 48	Non-executive independent director	13 May 2005	28 April 2006	ecoWise Holdings Limited City e-Solutions Ltd	Westcomb Financial Group Limited
Ong Wei Jin Age : 41	Non-executive independent director	13 May 2005	28 April 2006	NTI International Ltd China XLX Fertiliser Ltd	Vantage Corporation Ltd

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

Key information on the individual directors and their shareholdings in the Company are set out on pages 12 to 13 and 29 of 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 linked to the overall performance of the Group. The Board should ensure compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interest of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The NC proposes objective performance criteria which are approved by the Board. The performance criteria include comparison with industry peers, addressing how the Board has enhanced long-term shareholders' value and consideration of the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Other performance criteria that may be used include return on assets, return on equity, return on investment, economic value added and profitability on capital employed.

These performance criteria are not changed from year to year and 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 Secretaries and Management at all times. The Company Secretaries facilitate information flow within the Board and its committees and between senior management. The Company Secretaries attend all Board Meetings and meetings of the Board committees of the Company and ensure that the Company complies with the requirements of the Companies Act and the SGX-ST. 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 pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of individual directors. The remuneration of non-executive directors should be appropriate to 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 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 2007:

Remuneration bands	Salary (1) %	Bonus (1) %	Directors' fees (2) %	Other benefits	Total %
Directors					
Above S$250,00 and up to S$500,000					
Niu Ji Xing	100.0	-	-	-	100.0
Up to S$250,000					
Gao Zhong Fa	100.0	-	-	-	100.0
Wang De You	100.0	-	-	-	100.0
Kong Xiang Chao	-	-	100.0	-	100.0
Teoh Teik Kee	-	-	100.0	-	100.0
Ong Wei Jin	-	-	100.0	-	100.0
Executive Officers					
Up to S$250,000					
Zhang Ke	96.8	-	-	3.2	100.0
Zhang Cong Qiao	100.0	-	-	-	100.0
Niu Ji Chao	96.9	-	-	3.1	100.0
Mao De Qing	95.0	-	-	5.0	100.0
Zhang Hui *	96.5	-	-	3.5	100.0
Leo Jenn Ing Jennie	74.5	25.5	-	-	100.0

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 2007.

* Mr Zhang Hui left the Company on 31 January 2008.

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 position 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	

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

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

- reviewing with the external auditors their audit plan, their evaluation of the system of internalaccounting controls, their audit report, their management letter and the Management's response;

- reviewing the internal control and procedures and assisting in co-ordination between the external auditors and the Management, reviewing the co-operation and assistance given by the Management to the external auditors, and discussing problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

- ensuring that the internal audit function is on its face adequate and has appropriate standing within the Company, ensuring the adequacy of the internal audit function, and reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit function;

- ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted by the internal and/or external auditors; ensuring that one such review is carried out every year for at least one company in the Group;

- reviewing the financial statements of the Group with the assistance and advice of the external auditors before submission to the Board for approval to ensure compliance on the face of the financial statements with any stock exchange and statutory/regulatory requirements;

- commissioning, reviewing and discussing with the external auditors, if necessary, any fraud or irregularity, or failure of internal controls, or infringement of any relevant laws, rules or regulations, highlighted or reported to the AC, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the Management's response;

- reviewing the scope and results of the audit and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

- reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;

- approving internal control procedures and arrangements for all interested person transactions;

- reviewing arrangements by which the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;

- reviewing transactions falling within the scope of the SGX-ST Listing Manual, in particular, matters pertaining to Interested Person Transactions and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;

- reviewing any potential conflicts of interests;

- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The AC shall have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer of the Group to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly and effectively.

The Company has put in place whistle-blower policies and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blower reports will be sent to the Chairman of the Audit Committee and the Chairman of the Board will be informed immediately of all whistle-blower reports received.

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

The Company's external auditors are Mazars Moores Rowland LLP Singapore and during the financial year ended 31 December 2007, the non-audit work by the external auditors comprises services rendered as the Company's tax agent and the non-audit fees amounted to RMB14,000. The AC is satisfied that their independence has not been impaired by the provision of such services.

The AC has recommended to the Board that Mazars Moores Rowland LLP Singapore be nominated for re-election as external auditors at the forthcoming AGM.

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 under review 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.

In addition, apart from the in-house internal auditors, AT Adler, a professional accounting firm had been engaged in FY2007 to supplement the Company's internal audit function in respect of one company within the Group.

The AC has reviewed the annual internal audit plan for FY2007. The AC is satisfied that the internal audit functions have been adequately carried out.

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 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 and 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 are found on pages 59 to 61 of this 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.

The Board confirms that for the financial year ended 31 December 2007, the Company has complied with Listing Rule 1207(18).

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 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 FY2007, are as follows:

Name of interested person	Aggregate value of all transactions during FY2007 (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	2,000	-
Rental expenses to Liaoning Luzhou	1,500	-
Rental expenses to Shaanxi Luzhou	1,000	-

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 FY2007 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 CONTENTS

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2007.

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 and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**	**Holdings at beginning of the year**	**Holdings at end of the year**
LUZHOU BIO-CHEM TECHNOLOGY LIMITED				
Niu Ji Xing	-	3,900,000 [(2)]	157,950,000	157,950,000 [(1)]
Gao Zhong Fa [(3)]	18,200,000	15,200,000	-	-
Wang De You [(4)]	13,000,000	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 Managing Director, 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 of the financial year, or at the end of the financial year.

There were no changes in the above mentioned interests in the Company between the end of the financial year as at 21 January 2008.

DIRECTORS' INTERESTS (CONT'D)

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.

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) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

b) review quarterly financial information and annual financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;

c) review any formal announcements relating to the Group's financial performance;

d) review the internal control procedures and ensure co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

f) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

g) review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

h) review internal audit programme and scope and results of the internal audit procedures (including the effectiveness of the internal audit functions), and ensure co-ordination between the internal and external auditors and management;

i) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

j) review any potential conflict of interests; and

k) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

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

Moores Rowland was converted to Moores Rowland LLP, a limited liability partnership with effect from 28 June 2007. On 31 August 2007, Moores Rowland LLP changed its name to Mazars Moores Rowland LLP.

The Audit Committee has nominated Mazars Moores Rowland 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 has reviewed 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.

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

On behalf of the Board of Directors

Niu Ji Xing
Director

Gao Zhong Fa
Director

20 March 2008

STATEMENT BY THE DIRECTORS

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 International 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 income statement 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.

In our opinion:-

(a) the financial statements set out on pages 34 to 62 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 2007 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; 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

20 March 2008

REPORT OF THE 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 2007, the statements of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages on pages 34 to 62.

MANAGEMENT'S 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 International 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 income statement 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 International 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 the 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, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the Act and International 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 2007 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company 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 MOORES ROWLAND LLP
CERTIFIED PUBLIC ACCOUNTANTS

Partner – Choo Chai Leong

Singapore
20 March 2008

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Group	
	Note	2007	2006
		RMB'000	RMB'000
Revenue	3	2,177,121	1,467,158
Cost of sales		(1,914,896)	(1,195,612)
Gross profit		262,225	271,546
Other operating income	4	27,538	25,148
Selling and distribution expenses		(120,484)	(91,211)
Administrative expenses		(84,445)	(63,383)
Other operating expenses		(4,303)	(3,652)
Finance expenses	5	(25,649)	(11,612)
Profit before taxation	6	54,882	126,836
Taxation	8	(378)	(837)
Net profit for the year		54,504	125,999
Attributable to:			
Equity holders of the company		56,426	126,416
Minority interests		(1,922)	(417)
Net profit for the year		54,504	125,999

Earnings per share attributable to the equity holders of the Company (RMB cents):

Basic	9	14.3	36.6

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Non-current assets					
Property, plant and equipment	10 (I)	732,354	558,017	56	102
Land use rights	10 (II)	31,062	15,896	-	-
Investments in subsidiaries	11	-	-	275,326	147,073
		763,416	573,913	275,382	147,175
Current assets					
Inventories	12	260,792	198,788	-	-
Trade receivables	13	116,876	60,548	-	-
Other receivables, deposits and prepayments	14	51,766	37,458	80,515	32,595
Amount owing by subsidiary	23	-	-	75,323	-
Amount owing by a related party	15	-	8,133	-	-
Cash and cash equivalents	16	75,401	77,764	743	2,494
		504,835	382,691	156,581	35,089
Total assets		1,268,251	956,604	431,963	182,264
Equity attributable to equity holders of the Company					
Share capital	17	282,820	153,022	282,820	153,022
Statutory reserves	18	66,025	53,255	-	-
Accumulated profits		147,745	131,017	72,272	28,010
		496,590	337,294	355,092	181,032
Minority interests		33,661	(417)	-	-
Total equity		530,251	336,877	355,092	181,032
Non-current liabilities					
Amount owing to a related party	15	15,121	17,642	-	-
Interest-bearing loans and borrowings	19	332,024	297,220	52,182	-
Deferred taxation	20	589	589	-	-
		347,734	315,451	52,182	-
Current liabilities					
Trade payables	21	162,593	122,270	-	-
Other payables and accruals	22	142,777	123,649	2,313	1,213
Amount owing to a subsidiary	23	-	-	-	19
Amount owing to a related party	15	2,520	2,520	-	-
Interest-bearing loans and borrowings	19	82,376	55,000	22,376	-
Income tax payable		-	837	-	-
		390,266	304,276	24,689	1,232
Total liabilities		738,000	619,727	76,871	1,232
Total equity and liabilities		1,268,251	956,604	431,963	182,264

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Group	Share capital RMB'000	Statutory reserves RMB'000	Accumulated profits RMB'000	Total attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2006	41,386	23,996	48,620	114,002	-	114,002
Net profit for the year	-	-	126,416	126,416	(417)	125,999
Total recognised income	41,386	23,996	175,036	240,418	(417)	240,001
Net IPO proceeds	111,636	-	-	111,636	-	111,636
Transfer to statutory reserve	-	29,259	(29,259)	-	-	-
Dividend relating to 2005 paid	-	-	(14,760)	(14,760)	-	(14,760)
Balance at 31 December 2006	153,022	53,255	131,017	337,294	(417)	336,877
Net profit for the year	-	-	56,426	56,426	(1,922)	54,504
Total recognised income	153,022	53,255	187,443	393,720	(2,339)	391,381
Issue of shares	129,798	-	-	129,798	-	129,798
Minority interest	-	-	-	-	36,000	36,000
Transfer to statutory reserve	-	12,770	(12,770)	-	-	-
Dividend relating to 2006 paid	-	-	(26,928)	(26,928)	-	(26,928)
Balance at 31 December 2007	282,820	66,025	147,745	496,590	33,661	530,251

Company	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2006	41,386	15,703	57,089
Net profit for the year	-	27,067	27,067
Total recognised income	41,386	42,770	84,156
Net IPO proceeds	111,636	-	111,636
Dividend relating to 2005 paid	-	(14,760)	(14,760)
Balance at 31 December 2006	153,022	28,010	181,032
Net profit for the year	-	71,190	71,190
Total recognised income	153,022	99,200	252,222
Issue of shares	129,798	-	129,798
Dividend relating to 2006 paid	-	(26,928)	(26,928)
Balance at 31 December 2007	282,820	72,272	355,092

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Profit before taxation		54,882	126,836
Adjustments for:-			
Depreciation of property, plant and equipment		73,010	40,514
Amortisation of land use rights		530	8
Gain on disposal of plant and equipment		(5,699)	(5,715)
Interest expense		24,617	11,217
Interest income		(702)	(744)
Negative goodwill		-	(67)
Allowance/(reversal)for doubtful receivables		342	(254)
Operating profit before working capital changes		146,980	171,795
Changes in working capital:			
Inventories		(62,004)	(107,551)
Trade receivables		(56,670)	(25,441)
Other receivables, deposits and prepayments		(14,308)	(19,739)
Amount owing by a related party		8,133	(8,133)
Trade payables		40,323	31,162
Other payable and accruals		19,128	40,434
Cash deposits pledged		(1,001)	(27,054)
Cash deposits released from pledge		-	34,419
Cash generated from operations		80,581	89,892
Income taxes paid		(1,215)	-
Net cash generated from operating activities		79,366	89,892
Cash flows from investing activities			
Purchase of property, plant and equipment	27	(221,663)	(346,748)
Purchase of land use rights		(15,696)	(13,504)
Proceeds from disposal of plant and equipment		14,315	11,373
Cash inflow on acquisition of net assets	24	-	97
Interest income received		702	744
Net cash used in investing activities		(222,342)	(348,038)
Cash flows from financing activities			
Proceeds from issue of shares		129,798	111,636
Proceeds from issue of shares to minority interest		1,700	-
Interest expense paid		(24,617)	(11,217)
Amount owing to a related party		(2,520)	(2,520)
Repayment of interest-bearing loans		(365,500)	(206,400)
Proceeds from interest-bearing loans		427,680	372,220
Dividend paid		(26,928)	(14,760)
Net cash generated from financing activities		139,613	248,959
Net decrease in cash and cash equivalents		(3,363)	(9,187)
Cash and cash equivalents at beginning of year		72,964	82,151
Cash and cash equivalents at end of year	16	69,601	72,964

The accompanying notes form an integral part of these 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 principal place of business is at No. 137 Market Street, #07-02, The Bank of East Asia Building, Singapore 048943.

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

During the financial year, the Group adopted the following new/revised IFRSs which are relevant to its operations: -

IAS 1 *(Amendments)*	*Presentation of Financial Statements – Amendments relating to capital disclosures*
IFRS 7	*Financial Instruments: Disclosures*

The Group has adopted IAS 1 (Amendment) and IFRS 7 (Amendment) for the financial year ended 31 December 2007. IAS 1 (Amendment) and IFRS 7 (Amendment) introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. The adoption of the above IFRSs did not have a significant impact to the Group's financial statements.

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

The preparation of financial statements in conformity with IFRSs 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. Apart from information disclosed elsewhere in these financial statements, 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 receivables, net of allowance, amounted to RMB 116,876,000 (2006: RMB 60,548,000). 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.

Revenue recognition

In making its judgement, management considered the criteria for the recognition of revenue from the sales of goods, in particular whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The directors are satisfied that the significant risk and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate allowance made.

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 2-20 years, net of 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) to the financial statements.

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 will reassess the estimations at the balance sheet date. The carrying amount of inventories is stated on Note 12 to the financial statements.

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 Group is the Chinese Renminbi ("RMB"). As sales and purchases are denominated primarily in RMB and receipts from operations are usually retained in RMB. The directors are of the opinion that the RMB reflects the economic substance of the underlying events and circumstances relevant to the Group.

2.3 Basis of consolidation

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. In assessing control, potential voting right that presently are exercisable are taken into account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of consolidation (cont'd)

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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 income statement in the period of the acquisition.

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 these interests at the date of the 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 these losses.

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

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 RMB at foreign exchange rates ruling at that date. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to RMB at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising from translation are recognised in the income statement.

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. 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. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement. 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 income statement.

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	2 – 12 years	5%
Office equipment and furniture	5 years	5%
Motor vehicles	6 years	5%
Renovation	3-5 years	5%

Assets under construction represent property, plant and equipment under construction or being installed and is stated at cost. No depreciation is provided for assets under construction until the relevant assets are completed and ready for use.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.6 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 necessary to make the sale.

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

2.7 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loan and receivables, held to maturity investments, or available for sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit and loss, directly attributable transaction cost. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial assets (cont'd)

Loan and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loan and receivable are derecognised or impaired, as well as through the amortisation process.

2.8 Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value and excludes cash pledged with financial institutions.

2.10 Impairment of non-financial assets

The carrying amounts of the Group's assets 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 whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the income statement.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 classified as either financial liabilities measured at amortised costs such as borrowings and trade and other payables, or financial liabilities designated at fair value through profit or loss.

2.12 Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2.13 Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

2.14 Research and development expenses

Research and development expenses incurred on individual project are expensed to the income statement as incurred unless the project's future recoverability can be foreseen with reasonable assurance.

2.15 Employee benefits

Subsidiaries incorporated in the PRC are required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by the PRC legislation and are contributed to a pension fund managed by government agencies, which are responsible for paying pensions to the retired employees. These benefits are accounted for on an accrual basis and charged to the income statement when incurred.

Obligations for contributions to defined contribution pension plans such as the Singapore Central Provident Fund for the Company are recognised as an expense in the income statement when incurred.

2.16 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that 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.

2.17 Taxation

Current tax

Current tax assets and liabilities of the current and prior periods 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 enacted or substantially enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity, in which case it is recognised directly in equity.

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. Temporary differences are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement 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, is recognised upon delivery of goods and acceptance by customers.

(ii) ***Interest income***

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

(iii) ***Grants and subsidies***

Grants and subsidies are recognised at their fair value when the right to receive payment is established and that the Group will comply with conditions applying to them. Grant in recognition of specific expenses are taken to income in the same year as the relevant expenses.

2.19 Operating leases

Rental payable under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective leases.

2.20 Finance expenses

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred. The interest component of interest bearing liabilities is recognised in the income statement using the effective interest method.

2.21 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2.22 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.

2.23 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.

2.24 Future changes in IFRS

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

IAS 23 *(Revised)*	*Borrowing Costs*
IFRS 8	*Operating Segments*
IFRIC 11	*Group and Treasury Share Transactions*
IFRIC 12	*Service Concession Arrangements*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions.*

3. REVENUE

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Sale of goods	2,177,121	1,467,158

4. OTHER OPERATING INCOME

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Gain from sale of consumables and waste materials	12,085	8,510
Gain from disposal of plant and equipment (net)	5,699	5,715
Grant and subsidies	7,792	7,916
Interest income – bank	702	744
Others	1,260	2,263
	27,538	25,148

5. FINANCE EXPENSES

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Trade financing charges	1,032	395
Interest expense – bank loans and bills payable	24,326	10,876
Interest expense – others	291	341
	25,649	11,612

6. PROFIT BEFORE TAXATION

	Group	
	2007 RMB'000	2006 RMB'000
Profit before taxation is arrived at after charging/(crediting):-		
Cost of inventories	1,914,896	1,195,612
Depreciation of property, plant and equipment	73,010	40,514
Amortisation of land use rights	530	8
Allowance/(reversal) for doubtful receivables	342	(268)
Directors' remuneration		
- directors of the Company	3,727	891
Directors' fee – directors of the Company	527	526
Interest income	(702)	(744)
Foreign exchange adjustment loss (net)	2,729	1,173
Gain on disposal of plant and equipment	(5,699)	(5,715)
Operating lease expenses	5,803	5,250
Research and development expenses	1,799	912
Staff costs	93,159	71,968

Non-audit fees of professional tax services fee of RMB 14,000 (2006: RMB 13,000) have been paid to the auditors for the financial year ended 31 December 2007.

7. STAFF COSTS

	Group	
	2007 RMB'000	2006 RMB'000
Salaries and bonuses	75,300	59,191
Defined contribution pension plan	11,725	8,028
Other staff related costs	6,134	4,749
	93,159	71,968

Compensation of key management personnel

	Group	
	2007 RMB'000	2006 RMB'000
Directors of the Company		
Short-term employee benefits		
- Salaries	3,720	881
- Pension and other staff related costs	7	10
Directors' fee	527	526
	4,254	1,417

8. TAXATION

	Group	
	2007	2006
	RMB'000	RMB'000
Current tax		
Current year	378	837

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 18% (2006: 20%) to profit before taxation due to the following factors:-

	Group	
	2007	2006
	RMB'000	RMB'000
Profit before taxation	54,882	126,836
Income tax at the applicable tax rate of 18% (2006: 20%)	9,879	25,367
Effect of different tax rates in country where subsidiaries operate	8,232	16,489
Income exempt from tax	(17,733)	(41,019)
Total tax expense	378	837

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.

There are no income tax consequences (2006: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

9. EARNINGS PER SHARE

	Group	
	2007	2006
	RMB'000	RMB'000
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	56,426	126,416

Basic earnings per share is calculated based on the profit attributable to shareholders for the year divided by weighted average number of the Company's ordinary shares.

	No. of shares	
	2007	2006
	('000)	('000)
Weighted average number of ordinary shares	393,534	345,205

As there are no dilutive potential ordinary shares during the year, no diluted earnings per share is presented.

10 (I) PROPERTY, PLANT AND EQUIPMENT

Company	Office equipment and furniture RMB'000	Renovation RMB'000	Total RMB'000
Cost			
At 1 January 2006	-	-	-
Additions	13	131	144
At 31 December 2006	13	131	144
Additions	-	-	-
At 31 December 2007	13	131	144
Accumulated depreciation			
At 1 January 2006	-	-	-
Charge for the year	1	41	42
At 31 December 2006	1	41	42
Charge for the year	3	43	46
At 31 December 2007	4	84	88
Carrying amount			
At 31 December 2007	9	47	56
At 31 December 2006	12	90	102

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 2006	-	219,818	16,270	9,579	405	71,547	317,619
Acquisitions of net assets	1,124	2,641	317	96	-	37	4,215
Additions	6,220	177,381	9,271	3,909	2,801	147,166	346,748
Disposals	-	(11,045)	(539)	(386)	65	-	(11,905)
Reclassifications	48,352	115,021	286	48	857	(164,564)	-
At 31 December 2006	55,696	503,816	25,605	13,246	4,128	54,186	656,677
Additions	16,192	72,778	6,092	1,284	-	159,617	255,963
Disposals	(16)	(17,118)	(847)	(294)	-	-	(18,275)
Reclassifications	73,026	18,733	280	-	-	(92,039)	-
At 31 December 2007	144,898	578,209	31,130	14,236	4,128	121,764	894,365
Accumulated depreciation							
At 1 January 2006	-	53,451	5,606	4,057	116	-	63,230
Acquisitions of net assets	172	856	121	13	-	-	1,162
Charge for the year	1,573	32,958	3,622	1,741	620	-	40,514
Disposals	-	(5,694)	(253)	(299)	-	-	(6,246)
At 31 December 2006	1,745	81,571	9,096	5,512	736	-	98,660
Charge for the year	5,155	59,463	5,562	2,050	780	-	73,010
Disposals	(1)	(8,909)	(523)	(226)	-	-	(9,659)
At 31 December 2007	6,899	132,125	14,135	7,336	1,516	-	162,011
Carrying amount							
31 December 2007	137,999	446,084	16,995	6,900	2,612	121,764	732,354
31 December 2006	53,951	422,245	16,509	7,734	3,392	54,186	558,017

As at 31 December 2007, properties and machineries with carrying amount of RMB 298,923,000 (2006: RMB 199,888,000) have been pledged to secure the interest-bearing loans and borrowings as disclosed in Notes 19 to the financial statements.

10 (II) LAND USE RIGHTS

	Group	
	2007	2006
	RMB'000	RMB'000
Cost		
At 1 January	15,904	2,400
Additions	15,696	13,504
At 31 December	31,600	15,904
Accumulated amortisation		
At 1 January	8	-
Additions	530	8
At 31 December	538	8
Carrying amount	31,062	15,896

(a) Land use rights represented leasehold interests in land located in the PRC where the Group's manufacturing facilities reside. The lease terms expiring in years between 2055 to 2057.

(b) At 31 December 2007, the carrying amount of land use rights of approximately RMB 7,028,000 (2006: nil) were pledged to secure interest-bearing loans and borrowings of the Group.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	RMB'000	RMB'000
Investments in subsidiaries, at cost	275,326	147,073

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

The Company has the following subsidiaries as at 31 December 2007:

Name of company	Principal activities	Country of incorporation and place of business	Cost of investment held by Company		Effective percentage of equity and voting power held by the Group	
			2007	2006	2007	2006
					%	%
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$22,050,000 (RMB 174,336,000)	US$11,300,000 (RMB 91,080,000)	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 (RMB 15,909,000)	US$800,000 (RMB 6,612,000)	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 (RMB 46,381,000)	US$7,000,000 (RMB 46,381,000)	100	100
鲁洲生物科技(四川)有限公司 (Luzhou Bio-Chem Technology (Sichuan) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US$4,463,000 (RMB 35,700,000)	Nil	62.5#	51
山东泓洲化工机械有限公司 (Shandong Hongzhou Chemical Equipment Co., Ltd.)	Provision of engineering services (construction of industrial machinery and equipment) to several industrial, including the corn starch industry	People's Republic of China	US$375,000 (RMB 3,000,000)	US$ 375,000 (RMB 3,000,000)	100	100
			RMB 275,326,000	RMB 147,073,000		

Note: 1. All the subsidiaries are audited by Mazars Moores Rowland LLP, Singapore.
2. The subsidiary has two branch offices: Xiping Branch Office and Yishui Branch Office.

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).

12. INVENTORIES

	Group 2007 RMB'000	Group 2006 RMB'000
Raw materials	127,861	102,965
Work-in-progress	22,972	9,762
Finished goods	106,664	83,589
Packaging materials and consumables	3,295	2,472
	260,792	198,788

13. TRADE RECEIVABLES

	Group 2007 RMB'000	Group 2006 RMB'000
Trade receivables	95,099	50,574
Bills receivables	18,696	6,042
Value-added tax recoverables	4,613	5,122
	118,408	61,738
Less: Allowances for doubtful trade receivables	(1,532)	(1,190)
	116,876	60,548
The movements in the allowances :		
At 1 January	(1,190)	(1,458)
Allowance	(342)	-
Reversal	-	268
At 31 December	(1,532)	(1,190)

Trade receivables are denominated in the following currencies:-

	Group 2007 RMB'000	Group 2006 RMB'000
Chinese Renminbi	104,978	46,371
United States Dollars	11,898	14,177
	116,876	60,548

Trade receivables and bills receivables are non-interest bearing and are generally on 30 days' credit term.

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited as its customers are largely dispersed, engaged in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. 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 risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

13. TRADE RECEIVABLES (CONT'D)

The aging of trade receivables at the reporting date is:

	Gross 2007 RMB'000	Allowance for doubtful debt 2007 RMB'000	Gross 2006 RMB'000	Allowance For doubtful debt 2006 RMB'000
Group				
Within 30 days	95,841	-	49,683	-
Past due 31 - 90 days	15,428	-	7,362	-
Past due 91 - 180 days	4,411	(58)	3,023	(149)
Past due 181 days - 1 year	1,006	(726)	736	(501)
More than 1 year	1,722	(748)	934	(540)
	118,408	(1,532)	61,738	(1,190)

Based on past experience, management believe that no impairment allowance, other than the amount disclosed above, is necessary in respect of the remaining trade receivables due to good track record of its customers. The above allowance is individually determined based on collection records and the financial standing of the respective customers.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Other receivables	11,740	7,622	4	4
Deposits	10,914	10,756	35	86
Prepayments	6,359	8,568	16	10
Advances paid to suppliers	22,753	10,512	-	-
Dividends receivable from subsidiaries	-	-	80,460	32,495
	51,766	37,458	80,515	32,595

The amounts owing by subsidiaries are unsecured, interest-free and repayable on demand.

Other receivables, deposits and prepayments are denominated in the following currencies :-

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Singapore dollars	55	100	55	100
Chinese Renminbi	51,711	37,358	80,460	32,495
	51,766	37,458	80,515	32,595

15. AMOUNT OWING BY/(TO) A RELATED PARTY

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

	Group	
	2007	2006
	RMB'000	RMB'000
Amount owing by a related party - current	-	8,133
Amount owing to a related party		
Current		
Within 1 year	2,520	2,520
Non-current		
Within 2-5 years	10,081	10,081
After 5 years	5,040	7,561
	15,121	17,642

The above balances are denominated in RMB. The amount is repayable in instalment of RMB 2,520,000 per annum.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and in hand	69,601	72,964	743	2,494
Deposits pledged	5,800	4,800	-	-
	75,401	77,764	743	2,494

Bank deposits of certain subsidiaries were pledged as security to obtain credit facilities (Note 19).

Cash at banks earn interest at floating rates based on daily bank deposits rates.

Cash and bank balances denominated in foreign currencies at the balance sheet date are as followings:

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	743	2,494	743	2,494
Chinese Renminbi	74,658	75,270	-	-
	75,401	77,764	743	2,494

17. SHARE CAPITAL

	Group and Company			
	2007		2006	
	No of shares ('000)	RMB'000	No of shares ('000)	RMB'000
Fully paid ordinary shares, with no par value				
At 1 January	360,000	153,022	260,000	41,386
Issue of new shares	36,000	129,798	100,000	111,636
At 31 December	396,000	282,820	360,000	153,022

On 26 February 2006, the Company issued 100,000,000 new ordinary shares at S$0.25 each pursuant to its listing on the Mainboard of the Singapore Exchange Securities Trading Limited.

On 24 January 2007, the Company issued 36,000,000 new ordinary shares at S$0.735 each pursuant to a share placement, thereby raising net proceeds of RMB 129,798,000. The proceeds were used for construction of new plant and machineries and for working purposes. The newly issued shares rank pari passu in all respects with the previously issued shares.

18. STATUTORY RESERVES

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, the statutory reserves of these enterprises may be used to offset against their respective accumulated losses.

19. INTEREST–BEARING LOANS AND BORROWINGS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Non-current liabilities				
Secured interest-bearing loans and borrowings				
- Chinese Renminbi	137,500	120,200	-	-
Unsecured interest-bearing loans and borrowings				
- United States dollars	52,182	-	52,182	-
- Chinese Renminbi	142,342	177,020	-	-
	194,524	177,020	52,182	-
Total non-current liabilities	332,024	297,220	52,182	-
Current liabilities				
Unsecured interest-bearing loans and borrowings				
- United States dollars	22,376	-	22,376	-
- Chinese Renminbi	60,000	55,000	-	-
Total current liabilities	82,376	55,000	22,376	-
Total interest-bearing loans and borrowings	414,400	352,220	74,558	-

Maturity of interest-bearing loans and borrowings

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	82,376	55,000	22,376	-
After 1 year but within 2 years	302,218	297,220	22,376	-
After 2 years but within 3 years	29,806	-	29,806	-
Total interest bearing loans and borrowings	414,400	352,220	74,558	-

As at 31 December 2007, the interest-bearing loans and borrowings of the Company were guaranteed by the 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 average effective rate is 6.04% per annum.

As at 31 December 2007, the interest-bearing loans and borrowings of the Group were secured or guaranteed by the following:-

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

(ii) pledge of certain land use rights;

(iii) pledge of properties owned by related parties;

(iv) cash deposit pledged;

(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.

As at 31 December 2006, the Group's interest-bearing loans and borrowings are secured or guaranteed by all the abovementioned items except for items (ii) and (vii).

The average effective interest rate of the Group is 6.4% (2006: 6.1%) per annum.

20. DEFERRED TAXATION

	Group	
	2007	2006
	RMB'000	RMB'000
Other temporary differences	589	589

21. TRADE PAYABLES

	Group	
	2007	2006
	RMB'000	RMB'000
Trade payables	158,110	119,832
Value added tax payable	4,483	2,438
	162,593	122,270

Trade payables are non-interest bearing and are normally settled on 30 days credit terms.

Trade payables are denominated in RMB.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	38,694	23,994	-	-
Deposits from customers	24,521	21,409	-	
Payables for construction of property, plant and equipment	16,882	23,984	-	
Retention money owing to contractors and suppliers	10,477	20,829	-	-
Accrued operating expenses	30,270	20,667	2,313	1,213
Advances from customers	21,207	12,537	-	-
Other tax payable	726	229	-	-
	142,777	123,649	2,313	1,213

Other payables and accruals are non-interest bearing and have an average term of six months.

Other payables and accruals are denominated in the following currencies :-

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	1,269	1,123	1,269	1,123
United States dollars	954	-	954	-
Chinese Renminbi	140,554	122,526	90	90
	142,777	123,649	2,313	1,213

23. AMOUNTS OWING BY/(TO) A SUBSIDIARY

The amount owing by / (to) a subsidiary was non-trade in nature, unsecured, interest free and repayable on demand. The balance is denominated in RMB.

24. CASH INFLOW ON ACQUISITION OF NET ASSETS

The attributable fair values of the net assets of the subsidiary acquired in 2006 were as follows:-

	Group	
	2007	2006
	RMB'000	RMB'000
Plant and equipment	-	3,053
Inventories	-	12,113
Trade receivables	-	1,951
Other receivables, deposits and prepayments	-	2,523
Cash and cash equivalents	-	3,097
Trade payables	-	(1,149)
Other payables and accruals	-	(18,521)
Negative goodwill	-	(67)
Purchase consideration	-	3,000
Less: Cash and bank balances acquired	-	(3,097)
Cash inflow on acquisition of net assets	-	(97)

25. COMMITMENTS

	Group	
	2007	2006
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in the financial statements:-		
- Commitments in respect of the construction of plant and - equipment	20,194	55,834

At 31 December 2007, the Group was committed to making the following payments in respect of operating leases on manufacturing and office spaces :-

	Group	
	2007	2006
	RMB'000	RMB'000
Within 1 year	9,743	4,500
After 1 year but within 5 years	19,631	-
	29,374	4,500

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.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	Group	
	2007 RMB'000	2006 RMB'000
Transactions with parties in which directors have substantial interest:-		
Operating lease expenses	4,500	4,500

27. NON-CASH TRANSACTION

During the current financial year, the subsidiary, Luzhou Bio-chem Technology (Sichuan) Co., Ltd acquired plant and equipment from its minority shareholders for an aggregate cost of RMB 34,300,000 satisfied via the issue of new ordinary shares of the said subsidiary to the minority shareholders. Accordingly, the cash outflow on acquisition of property, plant and equipment amounted to RMB 221,663,000, being the total additions to property, plant and equipment for the year of RMB 255,963,000 less the above non-cash transaction of RMB 34,300,000.

28. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format – business segments is based on the Group's management and internal reporting structure.

The Group is mainly engaged in one business segment which pertains to the development, manufacturing and sale of sweeteners, corn starch, and the by-products.

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	
	2007 RMB'000	2006 RMB'000
Segment revenue by location of customers		
- PRC	1,893,010	1,273,103
- Overseas	284,111	194,055
	2,177,121	1,467,158
Capital expenditures by geographical location of assets		
- PRC	237,759	360,109
- Overseas	-	143
	237,759	360,252
Segment assets by geographical location of assets		
- PRC	1,255,499	937,731
- Overseas	12,752	16,873
	1,268,251	954,604

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

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group has established credit review on new customers and credit terms were only extended to creditworthy customers. These debts are continually monitored and therefore the Group does not expect to incur material credit losses.

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

At the balance sheet date, there is no significant concentration of credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2007 RMB'000	2006 RMB'000
Trade and other receivables	168,642	98,006
Amount owing by related party	-	8,133
Cash and cash equivalents	75,401	77,764
	244,043	183,903

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 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 19.

Interest rate risk

The Group's interest rate risk relates to interest-bearing borrowings which comprise of bills payable, borrowings from third parties and 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 maturity, of the Group's financial instruments that are exposed to interest rate risk.

29. FINANCIAL INSTRUMENTS (CONT'D)

	Within 1 year RMB'000	1 – 2 years RMB'000	2 – 3 years RMB'000	Total RMB'000
2007				
Fixed rate				
Interest-bearing loans and borrowings	60,000	279,842	-	339,842
Floating rate				
Interest-bearing loans and borrowings	22,376	22,376	29,806	74,558
2006				
Fixed rate				
Interest-bearing loans and borrowings	55,000	297,220	-	352,220

The term of the fixed rate interest-bearing loans and borrowings ranges from 2.4% to 7.29% per annum (2006: 2.4% to 8.9%).

The term of the floating rate interest-bearing loans and borrowings is 1.10% (2006: nil) over and above six months US$ Singapore Inter-Bank Offered Rate ("SIBOR").

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interests on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group 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 19 to the financial statements.

Sensitivity analysis

At 31 December 2007, if the floating rate for the interest-bearing loans and borrowings were to increase by 100bp, the Group's pre-tax profit would be RMB746,000 lower (2006: nil). A decrease in 100bp in interest rate would have equal but opposite effect. This analysis assumes all other variables, in particular foreign exchange rates, remain constant.

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 revenue denominated in United States Dollars ("USD"). In addition, the group also has USD denominated interest-bearing loans and borrowings.

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

Sensitivity analysis

At 31 December 2007, if the foreign currencies weakened 10% against the RMB with all variables held constant, the Group's pre-tax profit for the financial year ended would have been RMB 6.3 million higher (2006: 1.4 million lower), mainly as a result of foreign exchange gains on translation of foreign currency denominated financial instruments such as trade receivables and interest-bearing loans and borrowings.

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 less cash and cash equivalents. Total capital is calculated as total equity including minority interests, as shown in the balance sheet, plus net debts.

During the financial year ended 31 December 2007, the Group's strategy, which was unchanged from 31 December 2006, was to maintain a gearing ratio of less than one. The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

	2007 RMB'000	2006 RMB'000
Total borrowings	414,400	352,220
Less: cash and cash equivalents	(75,401)	(77,764)
Net debt	338,999	274,456
Total equity	530,251	336,877
Total capital	869,250	611,333
Gearing ratio	0.39	0.45

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

30. 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:

	2007 RMB'000		2006 RMB'000	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Trade and other receivables	168,642	168,642	98,006	98,006
Cash and cash equivalents	75,401	75,401	77,764	77,764
Interest-bearing loans and borrowing	414,400	414,400	352,220	352,220
Trade and other payables	305,370	305,370	245,919	245,919
Amounts owing to a related party	17,641	15,455	20,162	17,831

30. FAIR VALUES (CONT'D)

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

The carrying value of trade and other receivables, cash and cash equivalents and trade and other payables approximates their fair values due to the short period to maturity.

The fair value of amount owing to a related party as at 31 December 2007 was estimated via discounting the expected cash flows using a discount rate which approximate the market rate of interest. The fair value is approximately RMB 15,455,000 (2006: RMB 17,831,000). The difference between the carrying amount and the fair value is a gain of approximately RMB 2,186,000 (2006: RMB 2,331,000) which was not recognised in the income statement as it was not significant in the context of the financial statement as a whole.

Interest rates used for determining fair value

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

	2007	2006
Amounts owing to related party	6.42%	6.10%

31. PROPOSED FINAL DIVIDEND

Subject to the approval at the Annual General Meeting, the directors recommend the payment of a first and final dividend of RMB 6.8 cents (2006: RMB 6.8 cents) per ordinary share (one-tier tax exempt), totalling approximately RMB 26.9 million (2006 : RMB 26.9 million) for the financial year ended 31 December 2007. The proposed final dividend has not been provided for as a liability as at 31 December 2007.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2008

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.06	260	0.00
1,000 - 10,000	1,551	49.62	11,560,000	2.92
10,001 - 1,000,000	1,551	49.62	77,109,000	19.47
1,000,001 and above	22	0.70	307,330,740	77.61
Total	3,126	100.00	396,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 20 March 2008)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
NIU JI XING	3,900,000	0.98	157,950,000	39.89
FAITH CORPORATE INTRNATIONAL LIMITED	157,950,000	39.89	-	-
TOH BEE YONG	33,852,000	8.55	-	-

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.

AS AT 20 MARCH 2008

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	CITIBANK NOMINEES SINGAPORE PTE LTD	210,837,000	53.24
2.	TOH BEE YONG	33,852,000	8.55
3.	CHUA ENG ENG	7,120,002	1.80
4.	DBSN SERVICES PTE LTD	5,298,000	1.34
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	4,378,000	1.11
6.	DBS VICKERS SECURITIES (S) PTE LTD	4,105,000	1.04
7.	RAFFLES NOMINEES PTE LTD	4,087,000	1.03
8.	TEO RAYMOND	3,865,000	0.98
9.	LIONG KIAM TECK	3,686,998	0.93
10.	UOB KAY HIAN PTE LTD	3,527,000	0.89
11.	CIMB-GK SECURITIES PTE. LTD.	3,381,000	0.85
12.	OCBC SECURITIES PRIVATE LTD	3,188,000	0.81
13.	DBS NOMINEES PTE LTD	3,163,740	0.80
14.	BANK OF CHINA NOMINEES PTE LTD	2,718,000	0.69
15.	TEO POH SUAN	2,717,000	0.69
16.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,072,000	0.52
17.	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,910,000	0.48
18.	KIM ENG SECURITIES PTE. LTD.	1,749,000	0.44
19.	PHILLIP SECURITIES PTE LTD	1,569,000	0.40
20.	KO AH HUEY	1,567,000	0.40
	TOTAL	304,790,740	76.99

FREE FLOAT

Based on the information provided to the Company as at 20 March 2008, approximately 44.13% 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 Third Annual General Meeting of LUZHOU BIO-CHEM TECHNOLOGY LIMITED will be held at Sheraton Towers, Singapore, Pearl 2, 39 Scotts Road, Singapore 228230 on Monday, 28th April 2008 at 2.00pm for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of RMB 6.8 cents per ordinary share for the financial year ended 31 December 2007. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 117 of the Company's Articles of Association:-

   Mr Niu Ji Xing **(Resolution 3)**
   Mr Teoh Teik Kee **(Resolution 4)**

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

4. To approve the payment of Directors' fees of RMB 527,000.00 for the financial year ended 31 December 2007. **(Resolution 5)**

5. To re-appoint Messrs Mazars Moores Rowland LLP as Auditors of the Company 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.

AS SPECIAL BUSINESS:-

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

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

   (A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

   provided that:-

   (1) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time such authority is given, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time such authority is given; and

(ii) any subsequent consolidation or sub-division of shares;

(3) in exercising the authority conferred by this authority, the Directors shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[see Explanatory Note 1] **(Resolution 7)**

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

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 2] **(Resolution 8)**

BY ORDER OF THE BOARD

Leo Jenn Ing Jennie
Vincent Lim Bock Hui
Company Secretaries
Singapore
11 April 2007

EXPLANATORY NOTES:

(1) The Ordinary Resolution proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed twenty per cent (20%) of the total issued share capital of the Company for the time being. The percentage of issued share capital is based on the Company's issued share capital at the time the proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion of convertible securities or employee share options on issue at the time the proposed Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(2) The Ordinary Resolution proposed in item 8 above, if passed, will empower the Directors of the Company to grant awards and allot and issue fully paid-up shares pursuant to the Luzhou Performance Share Scheme.

NOTES:

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

(ii) 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.

(iii) 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.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 88 Amoy Street, Level Three, Singapore 069907 not less than 48 hours before the time appointed for holding the above Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Luzhou Bio-chem Technology Limited (the "Company") will be closed on 6 May 2008 for the preparation of dividends.

Duly completed registrable transfers received by the Company's Share Registrar, at Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01 Samsung Hub Singapore 049483 up to 5.00 p.m. on 5 May 2008 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 5 May 2008 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 28 April 2008, will be made on 16 May 2008.

BY ORDER OF THE BOARD

Leo Jenn Ing Jennie
Vincent Lim Bock Hui
Company Secretaries
Singapore
11 April 2007

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LUZHOU BIO-CHEM TECHNOLOGY LIMITED
(Company Registration No. 200412523N)
(Incorporated in the Republic of Singapore)

PROXY FORM
Annual General Meeting

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 Monday, 28 April 2008 at 2.00 pm, 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 is 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	Directors' Report and Audited Accounts for the financial year ended 31 December 2007		
2	Payment of proposed first and final tax exempt dividend		
3	Re-election of Mr Niu Ji Xing as a Director		
4	Re-election of Mr Teoh Teik Kee as a Director		
5	Approval of payment of Directors' fees amounting to RMB 527,000.00		
6	Re-appointment of Messrs Mazars Moores Rowland LLP as Auditors		
	Special Business		
7	Authority to allot and issue new shares		
8	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 ____________________, 2008.

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

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

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.