



DELIVERING EVERYDAY...

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Annual Report 2012





...FROM THE FINEST SOURCE

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A 20-year track record of success

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

Large production capacity

Luzhou has strategically increased its production capacity by 60% since 2006, and currently maintains a total production capacity of 1,040,000 tonnes per annum through six production facilities in the PRC. These include two production facilities in Yishui, Shandong Province, and one each in Fushun, Liaoning Province, Xingping, Shaanxi Province, Xiping, Henan Province and Pengshan, Sichuan Province. These facilities operate with their own water resources and several also have their own power generating capabilities. With one exception, all of them straddle key corn producing provinces in the PRC to ensure easy access to ample and competitively priced raw materials. Luzhou has also expanded its range of higher value-added products to include sugar alcohol, corn oil, amino acids and high fructose corn syrup 55.

Solid business capabilities

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

Strong customer base

Luzhou serves a diverse customer base across multiple industries, among them customers in the food and beverage, fermentation, medical and pharmaceutical sectors. Through higher production capacity and plant utilisation, it is able to assure its customers of reliable and cost effective solutions. Some of its customers include Tsingtao Brewery Co., Ltd (青岛啤酒股份有限公司), Hubei Wangwang Food Co., Ltd (湖北旺旺食品有限公司), Henan Lian Hua Tian An Food Co., Ltd. (河南莲花天安食业有限公司), Henan Lian Hua Weijing Co., Ltd (河南莲花味精股份有限公司) and Coca Cola Enterprise Management (Shanghai) Co., Ltd (可口可乐企业管理(上海)有限公司).



DELIVERING QUENCHING SWEETNESS



The versatility of our product mix has gained us a firm multi-sectoral foothold that promises to serve us well in years to come.

executive chairman's

MESSAGE



Mr Niu Ji Xing, Executive Chairman

Dear Shareholders,

On behalf of the Board of Directors of Luzhou Bio-Chem Technology Limited ("Luzhou"), I am pleased to present the Group report and financials for the year ended 31 December 2012 (FY2012).

Market Overview

The economic recession across the global market continued into FY2012, the effects of which reflected the continuing slowdown in demand for corn sweeteners. Stiff global competition continued to push selling prices down, and passive domestic market demand further exacerbated price sensitivities. The rising prices of raw corn were accompanied by a supply glut, which, together with solid demand for cane sugar as a result of more competitive pricing, inevitably contributed to uncertainties in the corn sweetener market. Despite these conditions, Luzhou continued to stay competitive through a higher value product mix, and a strategic expansion of market reach and production efficiency.

Financial Performance

For FY2012, the Group recorded total revenue of RMB3,399.8 million, down 12.9% from RMB3,905.5 million posted in the financial year ended 31 December 2011 (FY2011). Concurrently,

the Group posted net profit before tax of RMB24.4 million, a 60.3% decrease largely attributed to the relocation of our Liaoning plant and the subsequent production delays we experienced at the facility. The parallel impact on net profit margins from 1.3% to 0.4% was due to increased costs of raw materials and the fall in selling prices.

Despite these figures, Luzhou was able to record higher revenue compared to the industry average, thereby maintaining its market leadership, and attaining production capacity of 89% even in the uncertain market. Earnings per share on a fully diluted basis for FY2012 was 3.0 RMB cents compared 13.9 RMB cents for FY2011. Net asset value per ordinary share for the Group improved from 132.5 RMB cents as at 31 December 2011 to 135.2 RMB cents as at 31 December 2012, while the Group posted a positive year-end cash position of RMB119.5 million as at 31 December 2012, compared to RMB103.1 million as at 31 December 2011.

Business Review

The cautious stance we adopted at the start of the year saw various measures undertaken to strengthen our solid market position in corn sweeteners. True to our emphasis on product development, we successfully achieved several significant

executive chairman's MESSAGE

milestones in 2012. The production of high-grade Poly-D Glucose and Instant Solvent Amino Acid were breakthrough innovations introduced during the year, and Luzhou was also publicly recognized for its improved manufacturing efficiency in high quality Sorbitol production. In addition, our recently launched low DE Glucose Syrup and high value-added F55 Fructose Syrup continued to gain traction in key potential markets for the Group.

Leveraging this higher-value product mix, the Group was able to successfully foster strong alliances with key partners, expanding its strategic market reach by aligning with notable downstream customers such as Tianjin Dingyuan Food, Hangzhou Dingyuan Food and Langfang Haoliyou Food. Better logistics and warehouse management protocols were also implemented, contributing to a more efficient distribution network.

We completed the relocation of Luzhou Bio-Chem Technology (Liaoning) in July 2012, but continued with production line testing until December 2012. At a total investment of RMB244 million, the factory features better production facilities and equipment, and is expected to deliver an annual production capacity of 120,000 tons of corn starch, 60,000 tons of Maltose Syrup, 60,000 tons of F55 Fructose Syrup or High Fructose Corn Syrup, and 20,000 tons of Maltodextrin. The plant is also equipped with improved waste management systems to help minimize our environmental impact. With these facilities in full operation in 2013, we are poised to achieve greater growth across China's Southern region, and expect to anchor strong relationships with business partners such as Coca Cola and China Resources Snow Breweries 华润雪花啤酒.

During the year, we also completed the acquisition of two joint venture subsidiaries, Luzhou Bio-Chem Technology (Sichuan) and Shandong Luzhou Amino Acid. The latter has since contributed approximately 0.8% to the total sales revenue of the Group.

Corporate Developments

In response to legal proceedings initiated against the company by Mr. Cheah Peng Hock on 1 November 2010, the High Court of Singapore had on 6 February 2013 issued the Grounds of Decision that allowed the plaintiff's claim of RMB8.58 million with interest and costs to be assessed. Our counter-claims to

this suit were concurrently dismissed. Following the advice of our legal counsel, the company has lodged a Notice of Appeal to the Court of Appeal against the High Court's decision.

Market Outlook

The Group remains cautiously optimistic in its outlook for 2013. Stockpiles of corn sweeteners and lower selling prices, together with the inflationary costs of raw materials, are expected to continue to depress market sentiment for a while to come. In addition, we expect weak market demand to linger, with the domestic economy overshadowed by the sluggish economic recovery across Europe and the USA. However, we also anticipate the prospect of rising demand for corn sweeteners, a stabilizing of cane sugar prices and government inflationary controls to slowly but surely revitalize our competitive landscape going forward.

For 2013, the Group is taking a three-pronged approach to organic growth. We aim to maintain optimal production capacities across our product range, and implement cost controls and discontinue low value products in the process. Product development remains a key focus in our pursuit of a higher value product mix. This will be supported by equipment upgrading and continuous improvement of our existing production lines, thereby enabling us to expand our market base to important downstream customers and improve our long-term profitability.

Dividend

The Board is pleased to recommend a final one-tier tax-exempt cash dividend of SGD0.005 per ordinary share to shareholders for FY2012. The proposed dividend is subject to approval at the company's upcoming AGM.

Acknowledgements

On behalf of the Board of Directors of Luzhou, I would like to thank all our customers, business associates and partners for their confidence and support for the Group throughout the past year. I would also like to thank our Luzhou team for their dedication and contributions towards the Company amidst a challenging economic environment. I look forward to working together to achieve greater growth in FY2013.

Niu Ji Xing
Executive Chairman

致辞

尊敬的各位股东

我谨代表鲁洲生物科技有限公司公司董事会呈递集团2012年财务报表及报告。

市场概述

在2012年全球性经济衰退依然持续，导致玉米淀粉糖的市场需求继续下滑。全球竞争激烈，推动售价下降，再加上国内市场需求冷淡，进一步加重了价格的敏感性。原材料玉米价格上涨，虽然玉米的供给充足，但更具价格竞争力的蔗糖的市场需求强劲，这必然导致玉米淀粉糖市场的波动风险。虽然经济环境恶劣，但鲁洲通过其高附加值产品组合、市场覆盖面的战略性扩张及生产效率提高，保持了其竞争力。

财务业绩

在2012年，集团实现销售收入人民币3,399.8百万元，比2011年的人民币3,905.5百万元减少12.9%。同时，集团税前利润为人民币24.4百万元，比去年同期大幅下降60.3%，这主要是因为我们辽宁工厂搬迁和新厂投产延期。集团净利率从去年的1.3%下降到0.4%，除上述原因外，原材成本上涨、售价下降也是主要原因。

尽管上述数字不乐观，但鲁洲的销售收入高于行业平均数，这使它在市场不稳定环境下依然保住了其市场主导地位、产能发挥率达到89%。2012年充分稀释后每股收益为人民币3分，而2011年为人民币13.9分。在2012年12月31日集团每股净资产为人民币135.2分，比去年的人民币132.5分有所提高，同时，集团年末现金额为人民币119.5百万元，而2011年年末是人民币103.1百万元。

经营回顾

在年初我们便保持谨慎姿态，采取各种措施巩固我们在玉米淀粉糖市场的地位。重视产品开发，在2012年实现几项重大成果，成功研制出高级聚葡萄糖 (high-grade Poly-D Glucose) 产品和速溶支链氨基酸 (Instant Solvent Amino Acid) 产品，这是本年实现的突破性创新成果，同时，鲁洲也提高了优质山梨醇产品的生产效率，这一点已得到大家的普遍认可。此外，我们近期开始生产的低DE值葡萄糖浆和具有高附加值的F55果糖产品仍然具有很大的市场吸引力，它们是集团的重要潜在市场。

集团利用此高附加值产品组合，成功与重要合作伙伴建立了稳固的战略联盟关系，通过与著名下游客户的业务联盟，实现市场的战略性扩展，如天津顶圆食品有限公司、杭州顶圆食品有限公司、廊坊好丽友食品有限公司。我们也实施了一套更好的物流配送和分仓管理方案，有助于构建更加高效的配送网络。

我们在2012年7月完成鲁洲生物科技(辽宁)有限公司的搬迁工作，但是生产线测试一直持续到2012年12月。总投资为人民币244

百万元，该工厂拥有更好的生产设备，预计年产玉米淀粉120,000吨、麦芽糖浆60,000吨、F55果糖(或高果葡糖浆)60,000吨、麦芽糊精20,000吨。该工厂也配备了更好的废物处理系统，最小化环境污染。随着该工厂在2013年全面投入运营，预计我们在华南地区的销售额会有较大增长，并能巩固我们与业务伙伴的合作关系，如可口可乐和华润雪花啤酒。

在本财年内，我们也完成了对两家合资子公司的权益收购，即“鲁洲生物科技(四川)和山东鲁洲氨基酸”。后者对集团总销售收入的贡献约为0.8%。

公司发展

关于谢炳福先生于2010年11月1日发起对公司的法律诉讼，新加坡最高法庭于2013年2月6日下发了判决书，同意原告索赔人民币8.58百万元，相关利息和律师费将做评估。我们的反索赔被驳回。根据我方律师的建议，公司已向法院提交了上诉通知书，对最高法院的判决结果提请上诉。

市场前景

集团对2013年前景保持谨慎乐观。玉米淀粉糖库存量和低售价，以及通胀引起的原材料价格上涨，预期会继续使市场情绪低落。此外，国内经济依然笼罩在欧美经济复苏迟缓的阴影之下，我们预期市场需求持续疲软。但是，我们预计玉米淀粉糖市场需求将增加，蔗糖价格将趋稳，政府会采取措施控制通货膨胀，这些会确实改善我们以后的竞争状况。

在2013年，集团采取三管齐下的措施来实现有机增长。我们计划维持最优产品生产能力、实施成本控制，并停止生产低附加值产品。产品开发依然是我们追求高附加值产品组合的重点。在这方面，我们会配合实施设备升级和现有生产线的持续改进，这可以帮助我们将市场面扩展到重要下游客户，并提高我们的长期获利能力。

股息

董事会很高兴在此提议发放2012年期末一次性免税现金股利，每股0.5分新币。此提议需经临近的公司年度股东大会批准。

感谢语

最后，我想代表鲁洲董事会感谢全体股东、客户、业务合伙人过去一年对集团的支持。我也想在此感谢公司全体员工，他们在充满挑战的经济环境中为公司勤恳工作、默默奉献着。希望大家继续共同努力，争取在2013年实现更大的业绩增长。

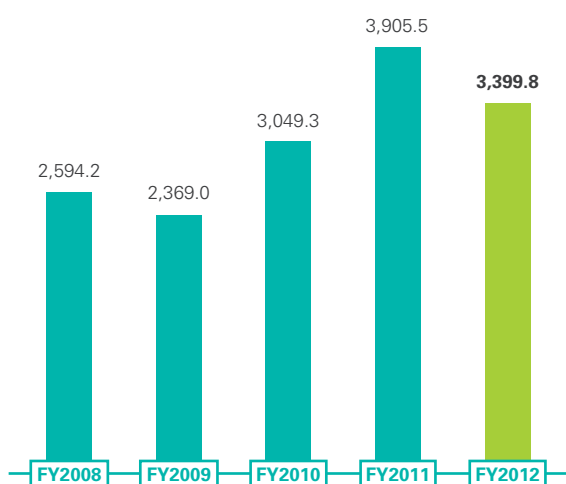
牛继星
执行主席

financial HIGHLIGHTS

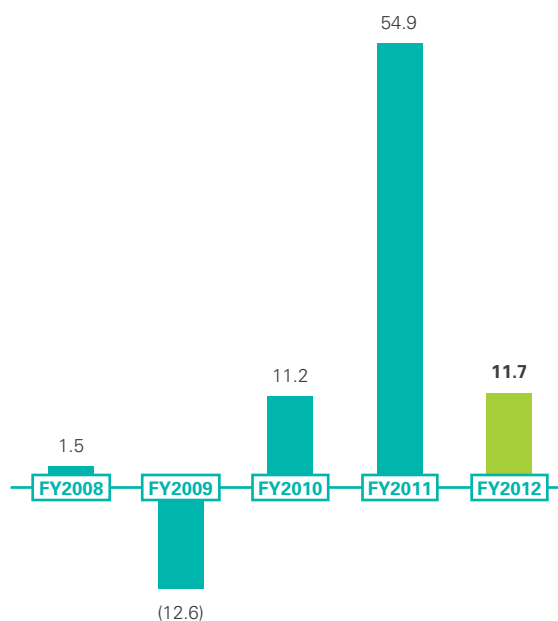
	2008 RMB million	2009 RMB million	2010 RMB million	2011 RMB million	2012 RMB million
Revenue	2,594.2	2,369.0	3,049.3	3,905.5	3,399.8
Earnings Before Interests, Tax, Depreciation and Amortisation ("EBITDA")	110.5	100.9	129.8	200.6	165.0
Net Profit / (Loss) Before Tax	1.3	(12.9)	6.2	61.5	24.4
Net Profit / (Loss) After Tax and Non-controlling Interests ("PATNCI")	1.5	(12.6)	11.2	54.9	11.7
Net Profit / (Loss) Margin (%)	0.05	(0.6)	0.2	1.3	0.4
Revenue by Operating Segments (%)					
– Corn Refining	94.6	89.2	91.0	89.1	89.0
– Animal Feed	5.2	9.9	8.4	9.5	9.5
– Others	0.2	0.9	0.6	1.4	1.5
	100.0	100.0	100.0	100.0	100.0
Revenue by Geographical Segments (%)					
– PRC	87.1	91.6	93.9	93.2	94.4
– Other Countries	12.9	8.4	6.1	6.8	5.6
	100.0	100.0	100.0	100.0	100.0
At Year End					
Net Current Assets	(5.4)	(49.2)	4.7	18.7	68.0
Total Assets	1,319.4	1,337.6	1,574.3	1,832.7	1,778.9
Total Equity	511.8	497.5	503.5	553.9	535.5
Total Liabilities	807.6	840.1	1,070.8	1,278.7	1,243.4
Cash and Cash Equivalents	104.4	66.8	71.0	103.1	119.5
Per Share (RMB cents)					
Earnings / (Loss) per Share	0.4	(3.2)	2.8	13.9	3.0
Net Tangible Asset per Ordinary Share	117.2	114.0	116.8	132.5	135.2
Dividend per Share (SGD)	–	–	–	–	0.005
Returns (%)					
Return on Revenue	0.05	(0.60)	0.20	1.30	0.40
Return on Shareholders' Equity	0.25	(2.88)	1.19	9.10	2.70
Return on Total Assets	0.10	(1.07)	0.38	2.80	0.80
Ratios					
– Inventory Turnover	31	32	32	30	37
– Trade Receivables	17	18	16	16	24
– Trade Payables	25	30	32	32	35
– Debt to Equity Ratio (Times)	0.96	0.98	1.23	1.04	1.33

* Subject to shareholders' approval at forthcoming AGM.

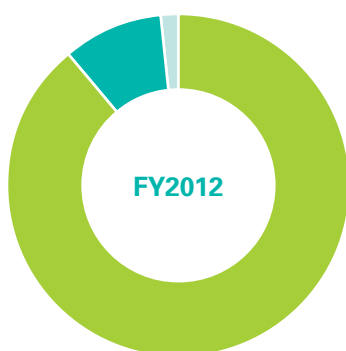
Revenue (RMB million)



Net Profit / (Loss) After Tax and Non-controlling Interests ("PATNCI") (RMB million)

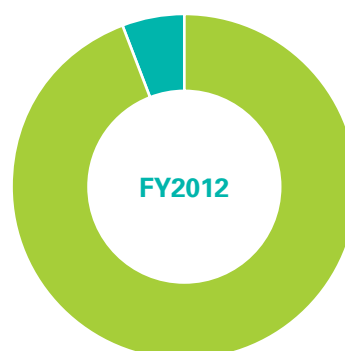


Revenue by Operating Segments (%)



Corn Refining	89.0
Animal Feed	9.5
Others	1.5

Revenue by Geographical Segments (%)



PRC	94.4
Other Countries	5.6



DELIVERING NOURISHING QUALITY



Our customers recognise that we strive everyday to ensure the highest manufacturing standards across our product range.

operations

REVIEW

01 Evaporation machines for Fructose

02 Machines for Fructose heterogeneous process and de-coloring and filtration process



2012 was a challenging year for Luzhou due to uncertain and unfavourable global market conditions.

A rise in the cost of raw materials, the increased supply of corn sweeteners and a general decline in selling prices across its products affected the Group's sales volumes and profit margins. Sales volume in the corn refining and animal feeds segments decreased by 15.2% and 12.1% respectively. This equated to a 69.2% year-on-year decrease in the Group's net profit margins on the back of total revenue which declined 12.9% to RMB3,399.8 million for the year.

For FY2012, the Group's total plant utilization rate stood at 76.2% compared to 82.4% in FY2011. This was largely due to the production halt at its Liaoning facility as a result of its relocation, even as utilization rates across its Shandong, Sichuan, Shaanxi and Henan facilities increased.

The commissioning of the new Liaoning plant, and its production commencement in January 2013 after months of stringent line testing, bodes well for the Group in the

year ahead. Production capacity is targeted at 120,000 tons of cornstarch, 60,000 tons of Maltose Syrup, 60,000 tons of F55 Fructose Syrup or High Fructose Corn Syrup and 20,000 tons of Maltodextrin annually.

With the application of more high-tech manufacturing facilities and equipment, fully automated production processes that have come on line, as well as a consistent output of high value products, this plant is expected to lead the Group's effort in enhancing its market competitiveness, thereby raising its appeal as a supplier of choice to prominent global food and beverage companies.

To maintain its competitive position in corn sweeteners, the company actively implemented measures during the year that helped steer it away from the prevailing uncertainties that continued to dampen market sentiment. These comprised two key strategic approaches: building and sustaining stronger internal controls, and broadening its market scope and consequently, its customer base.

operations

REVIEW

01 Equipment in our research and development center of the technology for producing corn sweetener

02 Main Control Room of Fructose production plant



Among the internal controls implemented were enhanced efficiencies in the Group's energy consumption, particularly as a means to reduce the overall cost of production.

Among other things, new heat exchanges were installed in the Group's Shaanxi, Shandong and Henan factories to minimize the consumption of coal; plate-type heat exchangers were fitted across all its manufacturing plants to enable centralized control of excess heat during production; modifications were made to the corn starch production separators and protein filtering systems in its Shaanxi plant to minimize waste discharge; and a new waste recycling program was initiated to convert waste gas discharge into energy which could power boiler equipment in its Yishui and Shaanxi factories.

Concurrently, stringent regulations on product packages were put in place to safeguard assets, and automated packaging

procedures helped reduce the Group's overreliance on manpower. To further protect the Company from fraudulent risks, tighter monitoring and follow-up processes were also implemented.

In gearing up the Company's emphasis toward a higher value product mix, creative marketing capabilities were developed in which comprehensive and complete marketing information has been made available to existing and potential customers. Better technical support and more comprehensive after-sales services also helped the Group foster better customer loyalty towards its corn sweeteners.

Warehouse and distribution processes have been streamlined against inefficiencies and are now regularly monitored and upgraded as part of the Group's continuous



improvement process. As part of its commitment to timely delivery, the Group has also restructured its sales efforts domestically, appointing sales teams that are able to link products within the Group's various geographical locations. Its Northern China efforts now focus on marketing Maltose syrup; while its Southern China infrastructure covers products such as Maltose syrup, glucose, sugar alcohol and other by-products.

Over the course of the year in review, the Group also administered enterprising initiatives in managing its product sales. Information on potential global customers was collated and prompt action taken to facilitate their audit of its facilities and scope of production. Many customers were successfully inducted during the year after careful profiling and verification of authenticity, thereby enhancing the depth of the Group's customer network.

With these efforts in place, the Group is well poised to overcome the uncertainties shrouding the global economy. Amidst a cautious outlook for FY2013, the Group will continue to pursue sound strategies in production, cost management and sales enhancement. Accordingly, barring any unforeseen circumstances, it expects to fully harness its potential for growth in FY2013.

financial **REVIEW**

Revenue

For the financial year ended 31 December 2012, Luzhou posted a year-on-year (y-o-y) revenue decrease of 12.9%, from RMB3,905.5 million to RMB3,399.8 million. This was due to an overall decrease in sales volumes, as well as selling price falls in corn refining products, the weighted average price of which fell by 3.8% as a result of decreases in corn sweetener prices (1.5%), corn starch prices (1.9%) and the price of by-products (15.9%). Sales volumes for corn sweeteners, corn starch and by-products also decreased by 15.6%, 9.6% and 11.9% respectively.

In total, the Group posted an overall sales volume of 1.12 million tonnes in its corn refining segment, a 15.2% drop y-o-y from FY2011. This affected the annual revenue for corn refining products which declined by 13.0%. The Group's export revenue in FY2012 was correspondingly hampered by the global economic slowdown, declining 28.7% to stand at 5.6% against total revenue, as compared to 6.8% in FY2011.

Gross Profit

The higher cost of raw corn and lower product selling prices during the year significantly impacted the Group's profit margins. For FY2012, despite the total cost of sales decreasing by 11.2%, gross profit still decreased 27.0% y-o-y to RMB320.4 million, while margins decreased by 16.1% y-o-y.

Operating Expenses

As a result of the challenging economic environment, the Group took a prudent approach in our management of business costs including transportation, business travel and staff costs. Our selling and distribution expenditure decreased

18.2% to RMB147.8 million, while administrative expenditure covering spends on R&D, rental expenses, salary and social insurance contributions was also conservative, declining 27.7% to RMB114.7 million compared to RMB158.6 million in FY2011.

Finance costs incurred in FY2012 were considerably higher at RMB51.9 million, rising 25.4% y-o-y due to the increase in the Group's interest-bearing loans and borrowings. Uncertainties in the global economy also brought about higher interest rates that ranged from 6.00% to 7.87%, compared to 5.31% to 8.53% in FY2011.

In FY2012, the effective tax rate was higher than the statutory tax rate due to the expiry of tax holidays enjoyed by some of the Group's profitable subsidiaries in 2011. Certain loss-making subsidiaries also did not recognise deferred tax assets due to uncertainties in their future taxable profits.

Net Income

The Group's total comprehensive income was affected by the slide in gross profit, decreasing 71.2% from RMB50.5 million in FY2011, to RMB14.6 million in FY2012.

Assets and Liabilities

Current assets decreased 10.7% to RMB744.8 million as at 31 December 2012. This was attributed to a decrease in inventory by RMB25.3 million; lower receivables, deposits and prepayments of RMB61.5 million due to only a partial collection of the government compensation for our Liaoning factory; and buffered by a 15.9% increase in cash and cash equivalents to RMB119.5 million.

Inventory turnover days increased from 30 days in FY2011 to 37 days in FY2012. Trade receivables turnover days also increased to 24 days in FY2012 from 16 days in FY2011. Despite these changes, the Group still maintained an upward growth trend when measured against current assets recorded in the years leading up to 2011.

Non-current assets increased in FY2012, a result of higher capital expenditure arising from our new Liaoning facility. The property, plant and equipment that could not be relocated together with the new factory were taken over by the government, with compensation equal to the carrying amount paid to the Group in May 2012. As such, they have been derecognised as of 30 September 2012.

The Group recorded current liabilities of RMB676.9 million as at 31 December 2012, a decline by RMB138.4 million compared to FY2011. This included a reduction in short-term interest-bearing loans and borrowings by RMB17.0 million, a decrease in trade payables by RMB42.6 million, and a fall in other payables and accruals by RMB16.4 million. Trade payable turnover days increased to 35 days in FY2012 from 32 days in FY2011, while debt equity ratio was 1.33 times as at 31 December 2012 compared with 1.04 times as at 31 December 2011.

Non-current liabilities as at 31 December 2012 grew RMB103.0 million to RMB566.5 million. An increase in interest-bearing loans and borrowings of RMB152.4 million were key factors in this growth. The decrease in the non-current portion of deferred income of RMB46.8 million was attributed to the offset of an increase in relocation expenses of the Group's Liaoning facility.

Cash Flows

Luzhou enjoyed a positive net operating cash inflow of RMB47.2 million in FY2012. This comprised operating profit before changes in working capital of RMB158.0 million, adjusted for RMB101.0 million in net negative working capital charges and RMB12.2 million in income tax.

RMB84.8 million in net cash was used for investing activities including a RMB190.8 million purchase of plant and equipment for the new Liaoning factory. This was offset by a government compensation payment of RMB35.1 million for the relocation and a cash inflow of RMB94.1 million from the disposal of plant and equipment. Proceeds from government grants included RMB33.8 million received on behalf of Fushun Luzhou, which was reflected as amount owing to a related party.

Net cash inflow from financing activities stands at RMB54.0 million, due to a net increase in interest bearing loans and borrowings to RMB135.4 million and a payment of interest expense of RMB51.9 million.



DELIVERING APPETISING EXCELLENCE



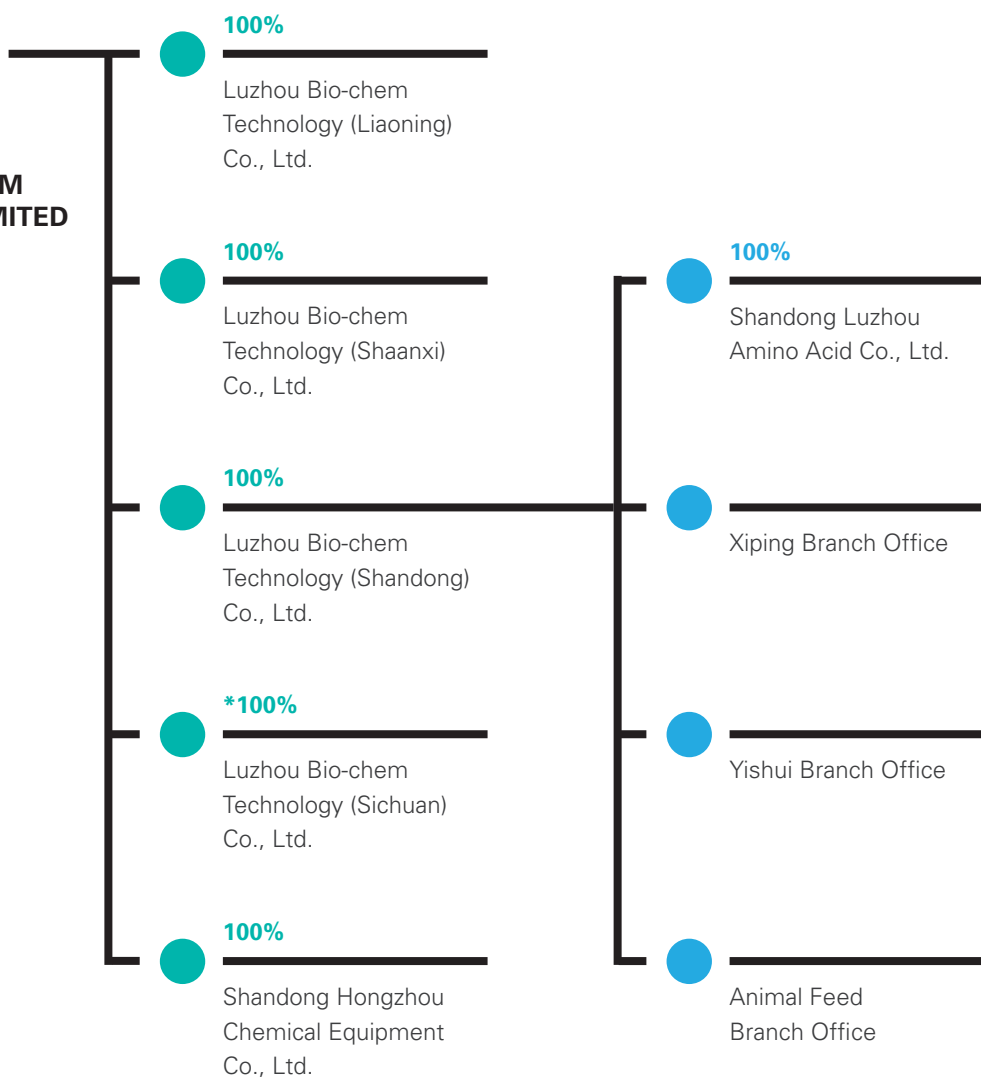
Strong product development drives our entrepreneurial spirit forward, where innovation sets the tone for the right application every time.

group

STRUCTURE



**LUZHOU BIO-CHEM
TECHNOLOGY LIMITED**



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

board of DIRECTORS



01



02



03



04



05



06

1. Niu Ji Xing

Niu Ji Xing is our Founder and Executive Chairman. He is responsible for formulating the business strategies and investments of our Group, as well as for its overall management. Mr Niu has more than 15 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 Chairman of the China Biotech Fermentation Industry Association, one of the Vice Presidents of the China Food Industry Association (中国食品工

业协会), Vice Chairman of the Council of China Food Industry Association (sweeteners) (中国食品工业协会糖果专业委员会理事会) and a member of the National Food Industry Entrepreneurs' Council (全国食品工业企业家委员会).

2. Wang De You

Wang De You is our Executive Director and Group Chief Executive Officer. He is responsible for the overall management of the Group's business and operations. Before assuming the current position, he was our Executive Director and Group Deputy General Manager. Mr Wang has more than 20 years of experience in the food processing and manufacturing industry and was formerly an assistant general manager at Shandong Luzhou before joining our Group. Mr Wang was a deputy general manager at Shandong Luzhou Food Product Factory from

1999 to 2002, a production manager at Shandong Yishui Luzhou Food Product Factory from 1993 to 1999, a production manager at Shandong Yishui Jixing Confectionery Factory from 1990 to 1993 and an assistant factory manager at Shandong Linqu Dairy Product Factory from 1987 to 1990.

Wang De You obtained a certificate in Food Processing and Manufacturing (发酵工程专业) studies from Shandong University (山东大学) in July 1996, and was accredited as a senior engineer by Light Industry Engineering and Technical Position Advance Accreditation Committee of Shandong Province (山东省轻工工程技术职务高级评审委员会) in April 2010. In 2011, he was conferred the Middle-aged and Young Experts Award by the People's Government of Shandong Province.

He was also engaged as a part time lecturer in the Master research programme by China University of Mining and Technology. He is currently a member of the Executive Council of China Biotech Fermentation Industry Association, and of China Starch Industry Association.

3. Gao Zhong Fa

Gao Zhong Fa is our Executive Director. Mr Gao is overall responsible for the management of our New Products Department, including Shandong Hongzhou and the corn oil, animal feed and amino acid production plants. He has more than 20 years of experience in the food industry, particularly in the operations of food product factories. Prior to joining our Group, he had joined Shandong Luzhou in May 2002 as the general manager and was also previously a general manager at Shandong Luzhou Food Product Pte. Ltd. from 2001 to 2002. From 1993 to 2000, he was factory operations manager at Shandong Yishui Luzhou Food Product Pte. Ltd. and prior to that, the factory operations manager at Shandong Yishui Jixing Confectionery Factory from 1988 to 1993, and the operations manager at Shandong Shouguang Gaojia Food Product Pte. Ltd. from 1985 to 1988.

Gao Zhong Fa obtained a certificate in Economic Management (经济管理专业) studies from the Shandong Economic Management Institute (山东经济管理干部学院) in July 1996. He is also a committee member of the Shandong Linyi Political Consultative Conference (山东省临沂

市政协协商会议) 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).

4. Teoh Teik Kee

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

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

He also serves on the boards of Singapore listed company, Great Group Holdings Limited, and Hong Kong listed company, City e-Solutions Ltd.

5. Kong Xiang Chao

Kong Xiang Chao is our Independent Director. He was an accountant in Jiangsu Province Xuzhou City Commerce Bureau from 1964 to 1970, the Technical Director and subsequently the factory head of Jiangsu Province Xuzhou City Commercial Mechanical Factory from 1970 to 1991, the general manager of the Jiangsu Province

Xuzhou City Blackcat Foodstuff Group from 1991 to 1998 and a researcher in Jiangsu Province Wantong Production Group from 1998, before he retired in 2004.

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

6. 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 China XLX Fertiliser Ltd and Consciencefood Holding Limited.

MANAGEMENT

Zhang Ke

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

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

Li Na

Li Na is our Group Senior Finance Manager and is currently responsible for the accounting, reporting, financing and other financial functions of our Group. Ms Li joined Shandong Luzhou Food Group Co. Ltd. in August 1999 as an accountant and was subsequently promoted to the position of finance manager in May 2002. She joined our Group in 2005 following the restructuring exercise undertaken in connection with our Company's initial public offering. Ms Li participated in the successful implementation of the SAP accounting system by our Group. Ms Li holds a diploma in accountancy, and received CTAC (China Tax Accountant) professional qualification certificate.

Niu Ji Chao

Niu Ji Chao is the General Manager of our Production Department. He is responsible for the management of our engineering operations and sweetener production plant operations. Niu Ji Chao has been involved in engineering works since 1998 as an assistant chief engineer at Shandong Luzhou Food Product Pte. Ltd. He was later appointed the chief engineer and production and technical centre manager at Shandong Luzhou from 2002 to 2003. Prior to joining our Group in 2005, he had been the deputy general manager and chief engineer of Shandong Luzhou from February 2003. Before assuming the current position, he was the Group's Chief Engineer.

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

Koh Pee Keat

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

Mao De Qing

Mao De Qing is the General Manager of our Group's Sales & Marketing Department, primarily responsible for managing the sales and marketing of our sweetener related products. 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. Mao De Qing was deputy general manager of Shandong Luzhou from September 2004 and subsequently our Group Deputy General Manager (Sales and Supply). Before assuming the current position, he was the General Manager of our Yishui Branch Office. He has received formal education up to pre-University level.

corporate INFORMATION

Board of Directors

Niu Ji Xing *(Executive Chairman)*
Gao Zhong Fa *(Executive Director)*
Wang De You *(Executive Director and
Group Chief Executive Officer)*
Teoh Teik Kee *(Lead Independent Director)*
Kong Xiang Chao *(Independent Director)*
Ong Wei Jin *(Independent Director)*

Audit Committee

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

Remuneration Committee

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

Nominating Committee

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

Company Secretary

Vincent Lim Bock Hui, LLB (Hons)

Registered Office

18 Cross Street
#07-11 China Square Central
Singapore 048423

Singapore Office

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

Head Office and Principal Place of Business

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

Share Registrar and Share Transfer Office

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

Auditors

Mazars LLP
133 Cecil Street #15-02
Keck Seng Tower
Singapore 069535
Partner in charge: Mr Chan Hock Leong
(Appointed with effect from financial year 2012)

Legal Advisor

Vincent Lim & Associates LLC
18 Cross Street
#07-11 China Square Central
Singapore 048423

Principal Bankers

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

Investor Relations Contact

John Koh
Email: johnkoh@luzhou.sg

GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Luzhou Bio-chem Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) recognises that adherence to the guidelines recommended by the Singapore Code of Corporate Governance 2005 (the “**Code**”) would establish good corporate governance practices and offer a high standard of accountability to the shareholders of the Company.

This report sets out the corporate governance practices adopted by the Company 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 2012 (“**FY2012**”), 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 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.

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

- reviewing and overseeing the management of the Group’s business affairs and financial controls, performance and resource allocation;
- approving matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations; and
- approving the release of the Group’s quarterly, half-year and full-year financial results and related party transactions of a material nature.

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

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

corporate GOVERNANCE REPORT

The number of meetings held and attendance at the meetings during FY2012 are as follows:

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

All directors are given the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. All directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group.

Board Composition and Guidance

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

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

Executive Directors

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

Non-Executive Directors

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

The independent directors make up 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 independence of each independent director is reviewed annually by the NC.

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

The independent directors communicate regularly to discuss matters related to the Group.

The profiles of the directors are set out in the "Board of Directors" section of this Annual Report.

Chairman and Chief Executive Officer

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

Mr Niu Ji Xing is the Executive Chairman of the Company and bears executive responsibility for the Group's business performance. He is also responsible for scheduling meetings to be conducted as and when required, setting the agenda for the Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders.

Mr Wang De You is the Group Chief Executive Officer ("**CEO**") who oversees the day-to-day management of the business, including operations and the execution of business strategies.

The Board is of the view that with the current executive management team and the establishment of the three Board committees, there are adequate safeguards in place to ensure unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

In view that the Executive Chairman and the CEO are both part of the executive management team, Mr Teoh Teik Kee had been appointed as the lead independent director and he is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman or CEO has failed to resolve or for which such contact is inappropriate.

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.

corporate GOVERNANCE REPORT

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

Name of director	Appointment	Date of initial appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies
Niu Ji Xing	Executive Chairman	17 November 2004	28 April 2011	None	None
Gao Zhong Fa	Executive Director	13 May 2005	28 April 2010	None	None
Wang De You	Executive Director	13 May 2005	26 April 2012	None	None
Kong Xiang Chao	Independent Director	13 May 2005	28 April 2010	None	None
Teoh Teik Kee	Lead Independent Director	13 May 2005	28 April 2011	Great Group Holdings Limited City e-Solutions Ltd	ecoWise Holdings Limited
Ong Wei Jin	Independent director	13 May 2005	26 April 2012	China XLX Fertiliser Ltd Consciencefood Holding Limited	NTI International Ltd

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

Key information on the individual directors and their shareholdings in the Company are set out in the "Board of Directors" section and "Directors' Report" section 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 reflected in the overall performance of the Group. The Board ensures that the Company is in compliance with applicable laws and the Board members act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board. The NC proposes objective performance criteria which are approved by the Board. The performance criteria include factors such as risk management and internal control, and financial performance indicators as well as share price performance.

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

Access to Information

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

The Company recognises the importance of the flow of information for the Board to discharge its duties effectively. All directors are furnished with the management accounts of the Group and regular updates on the financial position of the Company. The Board has separate and independent access to the Company Secretary and the Management at all times. The Company Secretary facilitates information flow within the Board and its committees. The Company Secretary attends all Board meetings and meetings of the Board committees and ensures that the Company complies with the requirements of the Companies Act and the SGX-ST Listing Manual. The minutes of all Board and Board committees' meetings are circulated to the Board.

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

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, covering all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind;
- in the case of service contracts of directors, reviewing and recommending to the Board the terms of renewal of the service contracts; and
- considering the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensuring 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 (save for the CEO) are not entitled to receive any profit-sharing performance bonus.

corporate GOVERNANCE REPORT

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

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 2012:

Remuneration bands	Base salary ⁽¹⁾ %	Variable or performance-related bonus %	Directors' fees %	Other benefits %	Total %
Directors					
Above S\$500,000 and up to S\$750,000					
Wang De You	49.7	50.3 ⁽²⁾	–	–	100
Above S\$250,000 and up to S\$500,000					
Niu Ji Xing	100	–	–	–	100
Up to S\$250,000					
Gao Zhong Fa	100	–	–	–	100
Kong Xiang Chao	–	–	100	–	100
Teoh Teik Kee	–	–	100	–	100
Ong Wei Jin	–	–	100	–	100
Executive Officers					
Up to S\$250,000					
Zhang Ke	51.6	48.4	–	–	100
Li Na	51.6	48.4	–	–	100
Niu Ji Chao	51.7	48.3	–	–	100
Mao De Qing	51.7	48.3	–	–	100
Koh Pee Keat	92.1	7.9	–	–	100

Notes:-

- (1) Salary is inclusive of salary, allowances, Central Provident Fund contributions and pension funds.
(2) This is the performance bonus including bonus of 40.5% for FY2011 recognised in FY2012.

No employee who is an immediate family member of a director or the CEO was paid more than S\$150,000 during FY2012.

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, financial 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 in providing all members of the Board with balanced and understandable management accounts of the Group's performance, financial 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 Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities and they have the requisite accounting or related financial management expertise or experience. The AC assists the Board to maintain a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

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

- reviewing the audit plans of the external auditors and ensuring the adequacy of the Group's system of accounting controls and co-operation given by the Management to the external auditors;
- reviewing the financial statements of the Group before their submission to the Board, and before their announcement;
- reviewing the effectiveness of the internal audit function, and reviewing the scope and results of the internal audit procedures;
- reviewing the cost effectiveness and the independence and objectivity of the external auditors;
- reviewing the nature and extent of non-audit services provided by the external auditors;
- reviewing the assistance given by the Group's officers to the auditors;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditors;
- reviewing and approving interested person transactions in accordance with the requirements of the SGX-ST Listing Manual; and
- reviewing the adequacy of the Group's internal controls.

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

corporate

GOVERNANCE REPORT

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

For FY2012, the fees paid by the Company to the external auditors for audit services amounted to RMB 1,008,213. The Company did not pay any fees for non-audit services provided by the external auditors in FY2012. The AC has reviewed all non-audit services provided by the external auditors and is of the opinion that these non-audit services would not affect the independence and objectivity of the external auditors. The AC has recommended to the Board the re-appointment of Mazars LLP Singapore as the external auditors of the Group at the forthcoming AGM.

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

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

Internal Controls

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

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

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed.

The external auditors provide feedback to the AC, highlighting matters that require the attention of the Management. The AC keeps track of the effectiveness of the Group's system of accounting and internal financial controls, for which the directors are responsible.

Based on the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls of the Group, addressing financial, operational and compliance risks, were adequate as at 31 December 2012.

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.

The AC is satisfied with the adequacy of the Company's internal audit function.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

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

The Company has a Singapore office to facilitate open communication with shareholders. The Company's quarterly and full year results announcements, analyst briefings and press releases are issued via SGXNET, the Company's website (www.luzhou.com.sg) and the investors' website (www.shareinvestor.com). Shareholders have access to information on the Group via the Company's website.

The Company discloses all material information on a timely basis to all shareholders.

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

DEALING IN SECURITIES

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

The Group has procedures in place prohibiting directors and officers from dealing in the Company's shares during the 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.

corporate

GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

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

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

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

The aggregate values of the interested person transactions between the Company or its subsidiaries and any of its interested persons during FY2012, are as follows:

Name of interested person	Aggregate value of all transactions during FY2012 (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	RMB'000	RMB'000
Rental expenses paid to Shandong Luzhou Food Group Co., Ltd	3,100	–
Rental expenses paid to Shaanxi Xingping Luzhou Sugar Products Co., Ltd	2,100	–

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 CEO or any director or controlling shareholder, either still subsisting at the end of FY2012 or if not then subsisting, which were entered into since the end of FY2011.

financial

STATEMENTS

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report of the DIRECTORS

We are pleased to present this report to the members of the Company together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2012.

1. 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

2. Arrangement to enable directors to acquire shares and debentures

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

3. 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:

Name of director	Number of ordinary shares with no par value			
	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Niu Ji Xing	3,900,000 ⁽²⁾	3,900,000 ⁽²⁾	157,950,000 ⁽¹⁾	157,950,000 ⁽¹⁾
Gao Zhong Fa ⁽³⁾	15,200,000	15,200,000	-	-
Wang De You ⁽⁴⁾	10,100,000	10,100,000	-	-
Teoh Teik Kee	125,000	125,000	-	-
Ong Wei Jin	125,000	125,000	-	-

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

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

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

⁽⁴⁾ The shares of Wang De You are registered in the name of Citibank Nominees Singapore Private Limited.

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

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

There were no changes in the above mentioned interests in the Company between the end of the financial year and at 21 January 2013.

report of the

DIRECTORS

4. Directors' contractual benefits

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.

5. Share Options

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

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

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

6. 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 Act, and the Listing Manual, and performs mainly the following functions:

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

report of the **DIRECTORS**

6. Audit Committee (Cont'd)

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

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

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

7. Auditors

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

On behalf of the Directors

Niu Ji Xing
Director

Wang De You
Director

18 March 2013

statement by

DIRECTORS

In our opinion:

- (a) the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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.

On behalf of the Directors

Niu Ji Xing
Director

Wang De You
Director

18 March 2013

report of the **INDEPENDENT AUDITORS**

to the Members of LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Luzhou Bio-Chem Technology Limited (the “Company”) and its subsidiaries (collectively, the “Group”) which comprise the statements of the financial position of the Group and the Company as at 31 December 2012, the statement of changes in equity, statement of comprehensive income and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 85.

Management’s responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

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

MAZARS LLP

Public Accountants and
Certified Public Accountants

Singapore
18 March 2013

consolidated statement of **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group	
		2012 RMB'000	2011 RMB'000
Revenue	4	3,399,786	3,905,507
Cost of sales		(3,079,372)	(3,466,503)
Gross profit		320,414	439,004
Other operating income	5	33,936	32,739
Selling and distribution expenses		(147,819)	(180,661)
Administrative expenses		(114,666)	(158,626)
Other operating expenses		(15,562)	(29,592)
Finance expenses	6	(51,857)	(41,363)
Profit before taxation	7	24,446	61,501
Income tax expense	9	(9,890)	(11,049)
Profit for the year, representing total comprehensive income for the year		14,556	50,452
Attributable to:			
Owners of the company		11,700	54,922
Non-controlling interests		2,856	(4,470)
Profit for the year and total comprehensive income for the year		14,556	50,452
Earnings per share attributable to the owners of the Company (RMB cents per share):			
Basic and diluted	10	3.0	13.9

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

statements of **FINANCIAL POSITION**

AS AT 31 DECEMBER 2012

	Note	Group		Company	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Non-current assets					
Property, plant and equipment	11 (i)	984,403	972,032	145	223
Intangible asset	12	-	-	-	-
Land use rights	11 (ii)	49,615	26,638	-	-
Investments in subsidiaries	13	-	-	372,654	372,654
		1,034,018	998,670	372,799	372,877
Current assets					
Inventories	14	303,302	328,554	-	-
Trade receivables	15	246,361	198,216	-	-
Other receivables, deposits and prepayments	16	75,662	136,967	808	9,977
Cash and cash equivalents	17	119,520	103,141	4,452	3,853
		744,845	766,878	5,260	13,830
Non-current assets classified as held for sale	18	-	67,144	-	-
		744,845	834,022	5,260	13,830
		1,778,863	1,832,692	378,059	386,707
Total assets					
Equity attributable to owners of the company					
Share capital	19	282,820	282,820	282,820	282,820
Statutory reserve	20	87,930	81,746	-	-
Accumulated profits		164,752	160,100	83,306	102,774
		535,502	524,666	366,126	385,594
Non-controlling interests					
		-	29,280	-	-
Total equity		535,502	553,946	366,126	385,594
Non-current liabilities					
Amount owing to a related party	21	2,520	5,040	-	-
Interest-bearing liabilities	22	512,350	360,000	-	-
Deferred income	23	51,043	97,831	-	-
Deferred taxation	24	589	589	-	-
		566,502	463,460	-	-
Current liabilities					
Trade payables	25	276,611	319,230	-	-
Other payables	26	152,779	169,203	9,614	762
Deferred income	23	7,364	2,235	-	-
Amount owing to a related party	21	37,792	35,917	2,319	351
Interest-bearing liabilities	22	200,000	216,954	-	-
Income tax payable		2,313	4,603	-	-
		676,859	748,142	11,933	1,113
Liabilities directly associated with non-current asset classified as held for sale	18	-	67,144	-	-
		676,859	815,286	11,933	1,113
Total liabilities		1,243,361	1,278,746	11,933	1,113
Total equity and liabilities		1,778,863	1,832,692	378,059	386,707

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

statements of **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Share capital	Statutory reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
At 1 January 2011	282,820	73,732	113,192	469,744	33,750	503,494
Total comprehensive income for the year	-	-	54,922	54,922	(4,470)	50,452
Transfer to statutory reserves	-	8,014	(8,014)	-	-	-
At 31 December 2011	282,820	81,746	160,100	524,666	29,280	553,946
Acquisition of non-controlling interests	-	-	(864)	(864)	(32,136)	(33,000)
Total comprehensive income for the year	-	-	11,700	11,700	2,856	14,556
Transfer to statutory reserves	-	6,184	(6,184)	-	-	-
At 31 December 2012	282,820	87,930	164,752	535,502	-	535,502

	Share capital	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000
Company			
At 1 January 2011	282,820	113,244	396,064
Total comprehensive income for the year	-	(10,470)	(10,470)
At 31 December 2011	282,820	102,774	385,594
Total comprehensive income for the year	-	(19,468)	(19,468)
At 31 December 2012	282,820	83,306	366,126

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

consolidated statement of CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Profit before taxation		24,446	61,501
Adjustments for:			
Depreciation of property, plant and equipment	11(i)	88,038	97,143
Amortisation of land use rights	11(ii)	624	588
Amortisation of government grant	23	(2,235)	(2,235)
Gain on disposal of property, plant and equipment		(3,700)	(1,635)
Interest expense	6	51,857	41,363
Interest income	5	(408)	(397)
Impairment of intangible asset	12	-	7,200
Impairment of property, plant and equipment	11(i)	-	5,000
Write-down/(Reversal of write-down) of inventories	14	(122)	-
Allowance for doubtful trade receivables	15	349	1,123
Reversal of allowances for doubtful trade receivables	15	(804)	(525)
Operating profit before working capital changes		158,045	209,126
Changes in working capital			
Inventories		25,374	(22,699)
Trade receivables		(47,690)	(52,780)
Other receivables, deposits and prepayments		61,305	(30,612)
Trade payables		(42,619)	33,736
Other payables		(96,915)	32,250
Amount owing to a related party		1,875	32,301
Cash deposits released from pledge		-	3,144
Cash generated from operations		59,375	204,466
Income taxes paid		(12,180)	(6,446)
Net cash generated from operating activities		47,195	198,020
Investing activities			
Purchase of property, plant and equipment	11(i)	(190,829)	(293,114)
Purchase of land use rights	11(ii)	(23,601)	-
Proceeds from disposal of property, plant and equipment		94,120	41,134
Interest income received		408	397
Proceeds from government grant		35,067	175,420
Net cash used in investing activities		(84,835)	(76,163)
Financing activities			
Partial payment for acquisition of non-controlling interests		(27,000)	-
Interest expense paid		(51,857)	(41,363)
Amount owing to a related party		(2,520)	(2,521)
Proceeds from interest-bearing loans and borrowings		785,000	423,776
Repayment of interest-bearing loans and borrowings		(648,650)	(465,168)
Repayment of finance lease liabilities		(954)	(1,341)
Net cash generated from/(used in) financing activities		54,019	(86,617)
Net increase in cash and cash equivalents		16,379	35,240
Effect of exchange rate changes on cash and cash equivalents		-	(1)
Cash and cash equivalents at beginning of financial year		103,141	67,902
Cash and cash equivalents at end of financial year	17	119,520	103,141

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The accompanying notes form an integral part of and should be read in conjunction with 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 18 Cross Street, #07-11 China Square Central, Singapore 048423. The Company was admitted to the Mainboard of the Singapore Exchange Securities Trading Limited on 24 February 2006. The Company’s principal place of business is at 8 Burn Road, #07-09 Trivex, Singapore 369977.

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

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

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 18 March 2013.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior years.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.1 Basis of preparation (Cont'd)

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

	Effective date (annual periods beginning on or after)
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
FRS 113 <i>Fair Value Measurement</i>	1 January 2013
Amendments to FRS107 <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Improvements to FRSs 2012	1 January 2013
- Amendments to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2013
- Amendments to FRS 16 <i>Property, Plant and Equipment</i>	1 January 2013
- Amendments to FRS 32 <i>Financial Instruments: Presentation</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interest in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

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

With the exception of the Amendments to FRS 1, FRS 113, FRS 110, Revised FRS 27 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact of the financial statements in the period of their initial application. The nature of the impending changes in accounting policies on adoption the Amendments to FRS 1, FRS 113, FRS 110, Revised FRS 27 and FRS 112 are described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS *Presentation of Items of Other Comprehensive Income (OCI)* is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact in its financial position or performance upon adoption of this standard.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.1 Basis of preparation (Cont'd)

FRS 113 Fair Value Measurement

The FRS 113 *Fair Value Measurement* is effective for financial periods beginning on or after 1 January 2013.

FRS 113 provides a single source of guidance for all fair value measurement. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how measure fair value under FRS when fair values is required or permitted by FRS. The adoption of FRS 113 does not have any impact to the financial position and financial performance of the Group.

FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements

The FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements* are effective for financial periods beginning on or after 1 January 2014.

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated with a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly control entities and associates in separate financial statements.

At the date of this financial statements, the management expect the adoption of FRS 110 and Revised FRS 27 have no impact to the financial position and financial performance of the Group when implemented in 2014.

FRS 112 Disclosure of Interest in Other Entities

FRS 112 *Disclosure of Interest in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this a disclosure standard, the Group will assess the impact when implemented in 2014.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights.

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

Intra-group balances, transactions, income and expenses are eliminated on consolidation.

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

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

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

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.3 Business combinations (Cont'd)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

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

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

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

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

Certain of the above-mentioned requirements on application from 1 January 2010 were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangement to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

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

2.5 Borrowing costs

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

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

2.6 Employee benefits

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.7 Income tax

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

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

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.8 Foreign currency transactions and translation

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

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

2.9 Property, plant and equipment

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

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.9 Property, plant and equipment (Cont'd)

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

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

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

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

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

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

2.10 Inventories

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

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

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

2.11 Intangible assets

Land use rights

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.11 Intangible assets (Cont'd)

Research and development

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

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

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

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

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

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

2.12 Impairment of tangible and intangible assets

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

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

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

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

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

Financial assets

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

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, bank balances and fixed deposits.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.13 Financial instruments (Cont'd)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables, amount owing to a related party

Trade and other payables, amount owing to a related party are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (see Note 2.5).

Derecognition of financial liabilities

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.14 Cash and cash equivalents

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

2.15 Non-current assets held for sale

Non-current assets are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the assets being available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.16 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 2.5).

Operating leases

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.17 Provisions

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

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

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

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

2.18 Contingencies

A contingent liability is:

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

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

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

2.19 Government grants

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

2.20 Segment reporting

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

2.21 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Impairment of tangible asset

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of intangible asset, are given in Note 12 to the financial statements.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

Allowance for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2012 were RMB302,343,000 (2011: RMB316,222,000) and RMB 808,000 (2011: RMB9,977,000) respectively.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2012 were RMB984,403,000 (2011: RMB972,032,000) and RMB145,000 (2011: RMB223,000) respectively.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

3.2 Key sources of estimation uncertainty (Cont'd)

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the Company's investments in subsidiaries are impaired. Once such investments have impairment indicated, the management will assess based on the estimation of the value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2012 was RMB372,654,000 (2011: RMB372,654,000).

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price, being the merchandise's selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the salability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories was RMB303,302,000 (2011: RMB328,554,000).

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current tax payable as at 31 December 2012 were RMB1,442,000 (2011: RMB4,603,000) and nil (2011: nil) respectively.

4. Revenue

	Group	
	2012 RMB'000	2011 RMB'000
Sale of goods	3,399,786	3,905,507

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

5. Other operating income

	Group	
	2012 RMB'000	2011 RMB'000
Gain on sale of consumables and waste materials	15,390	14,404
Gain on disposal of property, plant and equipment	3,700	1,635
Government grant and subsidies	3,822	8,191
Amortisation of government grant (Note 23)	2,235	2,235
Interest income from banks	408	397
Foreign currencies exchange loss/(gain), net	161	(477)
Income from penalties imposed on suppliers	558	1,067
Legal claim (Note 34)	2,654	-
Others	5,008	5,287
	33,936	32,739

Government grants relate to monetary incentives received from government agencies in the People's Republic of China for efficient usage of energy, energy conservation, certain interests on loans, new project development, purchase of industrial products, assistance for value-added tax incurred, participation in trade fairs and exhibition and development of technical know-how.

6. Finance expenses

	Group	
	2012 RMB'000	2011 RMB'000
Interest expenses on trade financing	597	520
Interest expense on bank loans	51,731	39,809
Interest expense on discounted bills receivable	-	265
Discounted bills receivable borne by suppliers	(473)	-
Interest expense – others	2	769
	51,857	41,363

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

7. Profit before taxation

	Group	
	2012 RMB'000	2011 RMB'000
Profit before taxation is arrived at after charging/(crediting):		
Audit fees to auditors of the Company	1,008	991
Non-audit fees paid to auditors of the Company	15	176
Total fees paid to auditors of the Company	1,023	1,167
Cost of inventories included in cost of sales	3,079,372	3,466,503
Amortisation of government grant	(2,235)	(2,235)
Directors' remuneration (Note 8)	5,939	3,743
Directors' fee (Note 8)	805	817
Foreign currencies exchange loss, net	663	477
Operating lease expenses	6,615	14,874
Research and development expenses	2,339	12,958
Staff costs (Note 8) (excluding directors' remuneration)	151,954	157,993
Utilities charges	38,833	83,684
Transportation costs	99,374	116,131

Depreciation of property, plant and equipment totalling RMB 64,186,000 (2011: RMB71,430,000) is recognised as an expense in the cost of sales.

8. Staff costs

	Group	
	2012 RMB'000	2011 RMB'000
Salaries and bonuses	125,375	130,742
Contribution to defined contribution plan	18,450	19,008
Other staff related costs	8,129	8,243
	151,954	157,993

Staff costs totalling RMB88,655,000 (2010: RMB81,404,000) were recognised as an expense in the cost of sales.

Compensation of key management personnel

	Group	
	2012 RMB'000	2011 RMB'000
Directors of the Company		
Short-term employee benefits		
- Salaries	5,914	3,720
- Others	25	23
- Directors' fee	805	817
	6,744	4,560

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

9. Income tax expense

	Group	
	2012 RMB'000	2011 RMB'000

Current tax

Current year	9,890	11,049
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The tax expense on the results for the financial year differs from the amount that would arise using the PRC income tax rate applicable to the profit before taxation of the main operating legal subsidiaries in PRC due to the following factors:

	Group	
	2012 RMB'000	2011 RMB'000
Profit before taxation	24,446	61,501
Tax at the applicable rate of 25%	6,112	15,375
Income exempted from tax	(465)	(725)
Tax incentives	(5,196)	(7,530)
Non-deductible expenses	12,692	7,168
Deferred tax assets arising in current year not recognised	10,602	5,824
Utilisation of deferred tax assets not recognised	(13,855)	(9,063)
Total tax expense	9,890	11,049

The prevailing tax rate of the subsidiaries residing in the PRC is 25% (2011: 25%). Certain subsidiaries are subject to a concessionary tax rate of 50% on the income tax payable while other subsidiaries' incomes are exempted from income tax. The China Tax Bureau provides that a foreign investment enterprise engaged in production having a period of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years.

Deferred tax assets not recognised

	Group	
	2012 RMB'000	2011 RMB'000
Unutilised tax losses	4,838	1,660
Unutilised capital allowances	5,321	12,880
Others	1,865	737
	12,024	15,277

At the reporting date, certain subsidiaries in the Group have unutilised tax losses and unutilised capital allowances amounted to RMB19,352,000 and RMB21,284,000 (2011: RMB6,640,000 and RMB51,520,000) respectively which can be carried forward and used to offset against future taxable income, subject to meeting certain statutory requirements by those companies with unrecognised tax losses and unutilised capital allowances in their respective countries of incorporation. These tax losses and unutilised capital allowances will expire 5 years from the year it arises. Deferred tax assets are not recognised due to uncertainty of its recoverability.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. Earnings per share

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

	Group	
	2012	2011
Basic and diluted earnings per share is based on:		
- Profit for the year attributable to ordinary shareholders (RMB '000)	11,700	54,922
Weighted average number of ordinary shares (in thousands)	396,000	396,000
Earnings per share (RMB cents)	3.0	13.9

11 (i) Property, plant and equipment

	Property	Machinery and tools	Office equipment and furniture	Motor vehicles	Renovation	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Cost							
At 1 January 2011	260,190	870,525	43,288	17,929	453	74,672	1,267,057
Additions	15,277	84,600	3,382	2,188	225	187,442	293,114
Disposals	(84)	(47,847)	(1,560)	(5,118)	-	(2,983)	(57,592)
Reclassifications	9,208	67,310	188	-	-	(76,706)	-
Reclassified as held for sale (Note 18)	(27,993)	(82,823)	-	-	-	-	(110,816)
At 31 December 2011	256,598	891,765	45,298	14,999	678	182,425	1,391,763
Additions	7,192	97,604	1,220	-	-	84,813	190,829
Disposals	-	(105,770)	(5,001)	(1,373)	(301)	(2,710)	(115,155)
Reclassifications	76,437	174,863	960	787	-	(253,047)	-
At 31 December 2012	340,227	1,058,462	42,477	14,413	377	11,481	1,467,437

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

	Property	Machinery and tools	Office equipment and furniture	Motor vehicles	Renovation	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
<u>Accumulated depreciation and impairment loss</u>							
At 1 January 2011	38,779	297,280	29,665	13,243	386	-	379,353
Depreciation for the year	12,771	77,620	5,047	1,633	72	-	97,143
Impairment loss	-	5,000	-	-	-	-	5,000
Disposals	(20)	(13,674)	(1,210)	(3,189)	-	-	(18,093)
Reclassified as held for sale (Note 18)	(5,642)	(38,030)	-	-	-	-	(43,672)
At 31 December 2011	45,888	328,196	33,502	11,687	458	-	419,731
Depreciation for the year	13,434	70,108	3,158	1,263	75	-	88,038
Disposals	(111)	(18,499)	(4,524)	(1,301)	(300)	-	(24,735)
At 31 December 2012	59,211	379,805	32,136	11,649	233	-	483,034
<u>Carrying amount</u>							
At 31 December 2012	281,016	678,657	10,341	2,764	144	11,481	984,403
At 31 December 2011	210,710	563,569	11,796	3,312	220	182,425	972,032

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

	Office equipment and furniture	Renovation	Total
	RMB'000	RMB'000	RMB'000
Company			
Cost			
At 1 January 2010	24	300	324
Additions	-	225	225
At 31 December 2011	24	525	549
Disposals	-	(301)	(301)
At 31 December 2012	24	224	248
Accumulated depreciation			
At 1 January 2011	15	234	249
Depreciation for the year	5	72	77
At 31 December 2011	20	306	326
Depreciation for the year	3	75	78
Disposals	-	(301)	(301)
At 31 December 2012	23	80	103
Carrying amount			
At 31 December 2012	1	144	145
At 31 December 2011	4	219	223

During the financial year, there is no impairment loss recognised in profit or loss (2011: RMB 5,000,000 relates to production machinery for certain finished goods no longer produced).

As at the reporting date, property and machinery with carrying amount of RMB 383,915,000 (2011: RMB427,635,000) have been pledged to secure the Group's interest-bearing loans and borrowings as disclosed in Note 22.

There is no property, plant and equipment held under finance leases at the reporting date (The carrying amount of machinery and tools and office equipment and furniture held under finance leases as at 31 December 2011 was RMB1,355,000 and RMB1,395,000 respectively. Leased assets are pledged as security for the related finance lease liabilities (Note 22)).

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

11 (ii) Land use rights

	Group	
	2012 RMB'000	2011 RMB'000
Cost		
At 1 January	29,327	29,327
Additions	23,601	-
At 31 December	52,928	29,327
Accumulated amortisation		
At 1 January	2,689	2,101
Amortisation for the year	624	588
At 31 December	3,313	2,689
Carrying amount		
At 31 December	49,615	26,638
Amounts to be amortised		
Not later than one year	1,066	588
Later than one year but not later than five years	4,265	2,352
Later than five years	44,284	23,698
	49,615	26,638

- (a) Land use rights represented leasehold interests in 5 plots of state-owned land located in the PRC where the Group's manufacturing facilities reside. The lease terms expire between years 2055 to 2061.
- (b) At the reporting date, the carrying amount of land use rights of RMB24,658,000 (2011: RMB26,638,000) has been pledged to secure bank loans of the Group (Note 22).

12. Intangible asset

Intangible asset represents acquired technical knowledge and formulations for the production of amino acid from the non-controlling shareholder of a subsidiary. The intangible asset is measured at cost which represented the fair value at the acquisition date.

The recoverable amount of the intangible asset is determined based on value in use calculations using cash flow projection based on financial budgets approved by management for the next 5 years period and extrapolated cash flows for the following 5 years based on estimate growth rate of 2% (2011: 2%) per annum. This rate does not exceed the average long-term growth rate for the industry. The pre-tax discount rate used to discount the forecast cash flows is 6.56% (2011: 6.56%). The key assumptions for the value in use calculations are those regarding the discount rates that reflect management's estimate of the risks specific to the cash-generating unit. The growth rate is based on industry growth forecasts. Gross margins are based on past year's results adjusted for anticipated efficiency improvements.

In previous financial year ended 2011, the management have self-assessed impairment of RMB7,200,000 on the intangible asset, where management is of the opinion that the technical know-how on amino acid production is unable to generate sufficient returns to the Group.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. Investments in subsidiaries

	Company	
	2012 RMB'000	2011 RMB'000
Unquoted equity shares, at cost	372,654	372,654

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost of investment held by the Company		Effective percentage of equity interest held by the Group	
			2012	2011	2012	2011
鲁洲生物科技(山东)有限公司 (Luzhou Bio-chem Technology (Shandong) Co., Ltd.) Note 2	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$36,300,000 (RMB271,664,000)	US\$36,300,000 (RMB271,664,000)	100	100
鲁洲生物科技(辽宁)有限公司 (Luzhou Bio-chem Technology (Liaoning) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$2,000,000 (RMB15,909,000)	US\$2,000,000 (RMB15,909,000)	100	100
鲁洲生物科技(陕西)有限公司 (Luzhou Bio-chem Technology (Shaanxi) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$7,000,000 (RMB46,381,000)	US\$7,000,000 (RMB46,381,000)	100	100
鲁洲生物科技(四川)有限公司* (Luzhou Bio-chem Technology (Sichuan) Co., Ltd.)	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	US\$4,463,000 (RMB35,700,000)	US\$4,463,000 (RMB35,700,000)	100	62.5
山东泓洲化工机械有限公司 (Shandong Hongzhou Chemical Equipment Co., Ltd.)	Provision of engineering services and construction of industrial machinery and equipment	People's Republic of China	US\$375,000 (RMB3,000,000)	US\$375,000 (RMB3,000,000)	100	100
山东鲁洲氨基酸有限公司* (Shandong Luzhou Amino Acid Co., Ltd.)	Production and sale of amino acids	People's Republic of China	-	-	100	55
			RMB372,654,000	RMB372,654,000		

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. Investments in subsidiaries (Cont'd)

- Note: 1. All the subsidiaries are audited by overseas member firms of Mazars for consolidation purposes.
2. The subsidiary has four branch offices: Beijing Branch Office, Xiping Branch Office, Yishui Branch Office and Animal Feed Branch Office, of which the Beijing Branch Office ceased operations from August 2010 and the closure was confirmed by the relevant authorities on 11 October 2011.
- # On 6 November 2012, the Company's wholly-owned subsidiary company, Luzhou Bio-Chem Technology (Shandong) Co. Ltd, (Luzhou Shandong) has acquired the remaining 37.5% equity interest in Luzhou Biochem Technology (Sichuan) Co., Ltd. (Luzhou Sichuan), a subsidiary in which the Company and Luzhou Shandong previously held 37.2% equity interest and 25.3% equity interest, respectively, from Sichuan Jin Tai Bio-chem Co., Ltd. for cash consideration of RMB30 million. Following the completion of this acquisition, Luzhou Sichuan has become a wholly-owned subsidiary of the Group, in which the Company holds 37.2% equity interest and Luzhou Shandong holds 62.8% equity interest.
- * On 25 June 2012, the Company's wholly-owned subsidiary company, Luzhou Bio-Chem Technology (Shandong) Co. Ltd, acquired the remaining of 45% equity interest in Shandong Luzhou Amino Acid Co. Ltd ("Amino Acid") from its non-controlling interests for a cash consideration of RMB3 million. As a result of this acquisition, Amino Acid is now a wholly-owned subsidiary of the Group. The carrying value of the net assets of Amino Acid at 30 June 2012 was RMB660,893 and the carrying value of the additional interest acquired was RMB297,402.

14. Inventories

	Group	
	2012 RMB'000	2011 RMB'000
Raw materials	147,042	148,758
Work-in-progress	30,541	33,167
Finished goods	122,584	144,666
Packaging materials and consumables	3,135	1,963
	303,302	328,554

The cost of inventories recognised as an expense includes RMB 122,000 (2011: nil) in respect of write-downs of inventory to net realisable value.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

15. Trade receivables

	Group	
	2012 RMB'000	2011 RMB'000
Trade receivables	219,379	178,929
Bills receivables	17,084	20,800
Value-added tax recoverables	13,720	2,764
	250,183	202,493
Allowances for doubtful trade receivables	(3,822)	(4,277)
	246,361	198,216

Movement in allowances for doubtful trade receivables are as follow:

At 1 January	(4,277)	(3,679)
Allowance charged to profit or loss	(349)	(1,123)
Reversal of allowances	804	525
At 31 December	(3,822)	(4,277)

Allowance for doubtful trade receivables arose mainly from customers who have difficulty in setting the amount due. Reversal of allowances is due to amount either recovered during the financial year or has been reassessed as recoverable.

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

	Group	
	2012 RMB'000	2011 RMB'000
Renminbi	221,947	191,917
United States dollar	24,414	6,299
	246,361	198,216

Trade receivables are non-interest bearing and are generally on 30 days (2011: 30 days) credit term. The Group does not hold any collateral or credit enhancements over the trade receivables.

Bills receivables, which are non-interest bearing, are issued by banks with average maturity of 5 months (2011: 5 months) as at the reporting date. These bills receivables are transferable.

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

16. Other receivables, deposits and prepayments

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Other receivables	10,677	30,578	57	1,602
Government compensations	27,213	47,065	-	-
Prepayments	19,680	18,961	-	-
Advances paid to suppliers	18,092	40,363	-	-
Dividends receivable from subsidiaries	-	-	751	8,375
	75,662	136,967	808	9,977

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

The dividends receivable from subsidiaries are denominated in Chinese Renminbi, unsecured, interest-free and are repayable on demand. During the year, the Company received RMB 7,624,000 (2011: RMB15,999,000) from the subsidiaries for partial repayment of the dividends receivable.

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Renminbi	75,605	135,365	751	8,375
Singapore dollar	57	1,602	57	1,602
	75,662	136,967	808	9,977

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

17. Cash and cash equivalents

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash at banks and in hand	119,520	103,141	4,452	3,853

Cash at banks earn interest at floating rates based on daily bank deposits rates. The effective interest rate earned for the year was 1% (2011: 1%) per annum.

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Renminbi	115,068	99,288	-	-
Singapore dollar	4,452	3,853	4,452	3,853
	119,520	103,141	4,452	3,853

18. Non-current assets classified as held for sale

On 2 March 2011, the Group has announced the relocation of one of its production facilities located in Gaowan Economic Zone, Fushun City, Liaoning Province in the People's Republic of China to Hada Town Industrial Park, Dongzhou Area, Fushun City, Liaoning Province in the People's Republic of China following the local Government's plans to redevelop the existing production site.

The new production facility is funded by compensation from the Government of approximately RMB153,925,000 (2011: RMB152,554,000 based on estimation), internally generated funds and through bank borrowings. As at 31 December 2012, a total sum of RMB126.7 million (2011: RMB105.4 million) has been received. The remaining of RMB27.2 million (2011: RMB47.1 million) is recognised as other receivables from government (Note 16).

The major classes of assets of the production facility classified as held for sale as at 31 December 2011 are as disclosed in Note 11(i) – Property, plant and equipment as the line item "non-current assets held for sale". The net book value of these asset amounted to RMB67.144 million. Consequently, the same amount of compensation received by the Government will be used to set-off the carrying value of these assets, resulting in an addition to deferred income of RMB85.4 million (Note 23).

The new production facility has been fully installed in December 2012 and has commenced its production in January 2013. The related non-current assets held for sale of RMB67.144 million and the liabilities directly associated with non-current assets held for sale have been de-recognised in the statement of financial position of the Group.

During financial year 2012, the deferred income has been reduced from RMB85.4 million to RMB42.9 million due to further relocation expenses incurred relating to the new production facility during year 2012.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. Share capital

	Group and Company	
	2012 RMB'000	2011 RMB'000
Fully paid ordinary shares at the beginning and end of year		
396 million ordinary shares with no par value	282,820	282,820

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

20. Statutory reserve

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

21. Amount owing to a related party

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
<u>Current</u>				
Amount due within 1 year	37,792	35,917	2,319	351
<u>Non-current</u>				
Amount due after 1 year but less than 5 years	2,520	5,040	-	-
	40,312	40,957	2,319	351

The amount owing to a related party by the Group is denominated in Chinese Renminbi. At 31 December 2012, the balances relate to amount of RMB 33,775,000 (2011:RMB30,000,000) received from the government on behalf of the related party for the compensation of Liaoning's relocation for the land being owned by the related parties. The remaining amount relates to the purchase of a plant in 2005.

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

22. Interest-bearing liabilities

	Group	
	2012 RMB'000	2011 RMB'000
Non-current liabilities		
Loans and borrowings	512,350	360,000
Current liabilities		
Loans and borrowings	200,000	216,000
Finance lease liabilities	-	954
	200,000	216,954
Total interest-bearing liabilities	712,350	576,954

	Group	
	2012 RMB'000	2011 RMB'000
Loans and borrowings		
Non-current liabilities		
- Secured	334,350	221,000
- Unsecured	178,000	139,000
Total non-current liabilities	512,350	360,000
Current liabilities		
- Secured	-	76,000
- Unsecured	200,000	140,000
Total current liabilities	200,000	216,000
Total loans and borrowings	712,350	576,000

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

22. Interest-bearing liabilities (Cont'd)

Maturity of interest-bearing loans and borrowings

	Group	
	2012 RMB'000	2011 RMB'000
Within 1 year	200,000	216,000
After 1 year but within 2 years	512,350	360,000
Total interest-bearing loans and borrowings	712,350	576,000

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

- (i) pledge of certain property, plant and equipment of the Group (Note 11(i));
- (ii) pledge of certain land use rights (Note 11(ii)(b));
- (iii) pledge of properties owned by related parties;
- (iv) corporate guarantee given by related parties; and
- (v) corporate guarantee given by third parties.

The loan and borrowings are denominated in the Chinese Renminbi and bears interest at the effective interest rate of 7.08% (2011: 6.48%) per annum.

Finance lease liabilities

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

	Group			
	2012		2011	
	Minimum lease payments RMB'000	Present value of payments RMB'000	Minimum lease payments RMB'000	Present value of payments RMB'000
Amount due:				
Within 1 year	-	-	1,059	954
After 1 year but within 3 years	-	-	-	-
Total minimum lease payments	-	-	1,059	954
Finance charges	-	-	(105)	-
Present value of minimum lease payments	-	-	954	954
Less: Amount due for settlement within 12 months (shown under current liabilities)		-		(954)
Amount due for settlement after 12 months		-		-

The effective weighted average rate of the finance lease is 6.16% (2011: 6.16%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

notes to the **FINANCIAL STATEMENTS**

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23. Deferred income

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

	Group	
	2012 RMB'000	2011 RMB'000
Cost		
At 1 January	108,041	22,631
(Relocation expense)/Additions (Note 18)	(39,424)	85,410
At 31 December	68,617	108,041
Accumulated amortisation		
At 1 January	7,975	5,740
Amortisation for the year	2,235	2,235
At 31 December	10,210	7,975
Carrying amount		
At 31 December	58,407	100,066
Amortisation due within:		
Next 12 months - current portion	7,364	2,235
More than 12 months - non-current portion	51,043	97,831
	58,407	100,066

The decrease in deferred income was mainly due to the partial offset by the increase in relocation expenses against the government compensation relating to the relocation of new production facility, the balance will be recognised over the useful lives of the assets when completed and ready for intended use at the new premises (Note 18).

24. Deferred taxation

	Group	
	2012 RMB'000	2011 RMB'000
Accelerated tax depreciation	589	589

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

At the reporting date, temporary differences in relation to the undistributed earnings of the profitable subsidiaries, for which deferred tax liabilities have not been recognised, is approximately RMB 173,200,000 (2011: RMB134,500,000). No liability has been recognised in respect of these differences as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future.

notes to the **FINANCIAL STATEMENTS**

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25. Trade payables

Trade payables are denominated in the Chinese Renminbi, non-interest bearing and are normally settled within 30 days (2011: 30 days).

26. Other payables

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Other payables	38,529	30,550	-	-
Deposits from customers	4,442	5,140	-	-
Payables for construction of property, plant and equipment	16,898	48,426	-	-
Retention money owing to contractors and suppliers	10,102	6,347	-	-
Accrued operating expenses	50,317	47,125	9,614	762
Advances from customers	26,140	29,711	-	-
Other tax payables	6,351	1,904	-	-
	152,779	169,203	9,614	762

Other payables and accruals are non-interest bearing and have an average repayment term of 6 months (2011: 6 months).

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Renminbi	143,165	168,441	-	-
Singapore dollar	9,614	762	9,614	762
	152,779	169,203	9,614	762

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

27. Commitments

Capital commitments

At the reporting date, the Group had capital commitments contracted for but not provided in the financial statements as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Commitments in respect of the construction of plant and equipment	-	60,989

Operating lease commitments – as lessee

At the reporting date, the Group was committed to making the following minimum payments under non-cancellable operating lease in respect of manufacturing and office premises:

	Group	
	2012 RMB'000	2011 RMB'000
Within 1 year	5,371	5,796
After 1 year but within 5 years	157	5,499
	5,528	11,295

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

28. Significant related party transactions

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

	Group	
	2012 RMB'000	2011 RMB'000
Transactions with parties in which a director has substantial interest:		
- Operating lease expenses	5,200	10,400

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

29. Segment information

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

The Group's reportable operating segments are as follows:

- (a) Corn refining – includes the manufacture and sale of corn sweeteners, corn starch, corn oil and related products.
- (b) Animal feeds – includes the manufacture of feed for farm animals.
- (c) Other products – includes manufacture and sale of amino acids and provision of engineering services and construction of industrial machinery and equipment.
- (d) Corporate – includes administrative offices in Beijing and Singapore. Beijing branch office has ceased operations from August 2010 and on 11 October 2011, the relevant authorities has confirmed the closure of this Branch.

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

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

notes to the FINANCIAL STATEMENTS

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29. Segment information (Cont'd)

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
2012							
Revenue:							
External customers	3,027,456	323,859	48,471	-	-		3,399,786
Inter-segment sales	68,744	-	19,923	-	(88,667)	A	-
Total revenue	3,096,200	323,859	68,394	-	(88,667)		3,399,786
Results:							
Segment profit/(loss) before taxation	85,789	3,913	8,751	(19,464)	(54,543)	B	24,446
Income tax expense	8,866	-	1,024	-	-		9,890
Interest income from bank	(378)	(19)	(11)	-	-		(408)
Interest expense on bank loans	51,833	13	8	3	-		51,857
Depreciation	85,222	1,125	2,928	77	(1,314)	C	88,038
Amortisation of land use rights	624	-	-	-	-		624
Other non-cash expenses	(1,767)	-	(1,045)	-	-	D	(2,812)
Assets:							
Segment asset	1,688,307	31,523	69,416	4,655	(15,038)	E	1,778,863
Additions to non-current assets	211,793	268	2,369	-	-	F	214,430
Liabilities:							
Segment liabilities	1,199,249	17,158	16,751	9,614	589	G	1,243,361
2011							
Revenue:							
External customers	3,478,946	369,638	56,923	-	-		3,905,507
Inter-segment sales	78,845	-	7,212	-	(86,057)	A	-
Total revenue	3,557,791	369,638	64,135	-	(86,057)		3,905,507
Results:							
Segment profit/(loss) before taxation	111,698	9,736	(7,948)	(10,437)	(41,548)	B	61,501
Income tax expense	10,513	536	-	-	-		11,049
Interest income from bank	(368)	(20)	(9)	-	-		(397)
Interest expense on bank loans	39,969	18	1,373	3	-		41,363
Depreciation	94,793	1,138	2,918	(504)	(1,202)	C	97,143
Impairment of intangible asset	-	-	7,200	-	-		7,200
Impairment of property, plant and equipment	5,000	-	-	-	-		5,000
Amortisation of land use rights	588	-	-	-	-		588
Other non-cash expenses	(1,648)	-	11	-	-	D	(1,637)
Assets:							
Segment asset	1,749,171	32,087	60,752	5,678	(14,996)	E	1,832,692
Additions to non-current assets	291,555	112	1,222	225	-	F	293,114
Liabilities:							
Segment liabilities	1,242,533	19,515	15,347	762	589	G	1,278,746

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

29. Segment information (Cont'd)

Notes

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

A Inter-segment revenue are eliminated on consolidation.

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

	2012 RMB'000	2011 RMB'000
Profit/(Loss) from inter-segment sales	(3,094)	(582)
Finance costs net of interest income	(51,449)	(40,966)
Total	<u>(54,543)</u>	<u>(41,548)</u>

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

D Other non-cash expenses comprise the following:

	2012 RMB'000	2011 RMB'000
Amortisation of government grant	(2,235)	(2,235)
Write-down of inventories	(122)	-
(Reversal of)/Allowance for doubtful trade receivables	(455)	598
	<u>(2,812)</u>	<u>(1,637)</u>

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

	2012 RMB'000	2011 RMB'000
Inter-segment assets	<u>(15,038)</u>	(14,996)

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

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2012 RMB'000	2011 RMB'000
Deferred tax liabilities	<u>589</u>	589

notes to the **FINANCIAL STATEMENTS**

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29. Segment information (Cont'd)

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

Geographical segments

	Group	
	2012 RMB'000	2011 RMB'000
Segment revenue by location of customers		
- PRC	3,210,470	3,639,853
- Overseas	189,316	265,654
	3,399,786	3,905,507
Capital expenditures by geographical location of assets		
- PRC	214,430	292,889
- Overseas	-	225
	214,430	293,114
Segment assets by geographical location of assets		
- PRC	1,749,851	1,822,317
- Overseas	29,012	10,375
	1,778,863	1,832,692

30. Financial risk management objectives and policies

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

Credit risk

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

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

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

30. Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

The ageing of trade receivables at the reporting date is as follows:

	2012		2011	
	Gross receivables	Allowances for doubtful debt	Gross receivables	Allowances for doubtful debt
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Within 30 days	192,069	-	169,056	-
Past due 31 - 90 days	41,142	-	18,325	-
Past due 91- 180 days	9,552	(814)	9,506	-
Past due 181 - 365 days	3,063	(549)	2,427	(1,280)
More than one year	4,357	(2,459)	3,179	(2,997)
	250,183	(3,822)	202,493	(4,277)

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

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date of credit was initially granted to the reporting date.

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

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

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

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

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

notes to the **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

30. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	2012				2011			
	One year or less	One to two years	Two to five years	Total	One year or less	One to two years	Two to five years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Group								
Financial assets:								
Trade and other receivables	322,023	-	-	322,023	335,183	-	-	335,183
Cash and cash equivalents	119,520	-	-	119,520	103,141	-	-	103,141
Total undiscounted financial assets	441,543	-	-	441,543	438,324	-	-	438,324
Financial liabilities:								
Interest-bearing loans and borrowings	214,159	584,895	-	799,054	229,997	406,656	-	636,653
Trade and other payables	429,390	-	-	429,390	488,433	-	-	488,433
Amounts owing to a related party	37,792	2,520	-	40,312	35,917	2,520	2,520	40,957
Finance lease liabilities	-	-	-	-	1,059	-	-	1,059
Total undiscounted financial liabilities	681,341	587,415	-	1,268,756	755,406	409,176	2,520	1,167,102
Total net undiscounted financial liabilities	(239,798)	(587,415)	-	(827,213)	(317,082)	(409,176)	(2,520)	(728,778)

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 22.

Interest rate risk

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

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

	Due within 1 year	After 1 year – 2 years	Total
	RMB'000	RMB'000	RMB'000
2012			
Fixed rate			
Interest-bearing loans and borrowings	200,000	512,350	712,350
2011			
Fixed rate			
Interest-bearing loans and borrowings	216,954	360,000	576,954

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30. Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

The fixed rate interest-bearing loans and borrowings bear interest at rates ranging from 6.00% to 7.87% (2011: 5.31% to 8.53%) per annum. Interests are at fixed rates until the maturity of the instrument.

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

The Group's policy is to obtain the most favourable interest rate available for its borrowings. Information relating to the Group's interest rate exposure is disclosed in Note 22. As the Group does not have any floating rate loans and borrowings, they are not exposed to significant interest rate risk.

Market risk

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

Foreign currency risk

The Group incurs foreign currency risk on its USD denominated trade receivables. The Group does not have significant exposure to USD denominated revenue.

The Group does not hedge its trade receivables, cash at bank, other payables and interest-bearing loans and borrowings that are denominated in USD and Singapore dollars (SGD).

Sensitivity analysis

At the reporting date, if the USD were to weaken 10% against the RMB, with all variables held constant, the Group's pre-tax profit for the year would have been RMB 2.4 million lower (2011: RMB 0.6 million lower), mainly as a result of foreign exchange gains on translation of USD currency denominated trade receivables. A 10% strengthening against the RMB would have equal but opposite effect.

At the reporting date, the Group is subject to insignificant risk on SGD denominated balances. Accordingly, no sensitivity analysis disclosure is required.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

31. Capital risk management

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

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

Management monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing loans and borrowings (including bills payable) less cash and cash equivalents. Total capital is calculated as total equity including non-controlling interests, as shown in the consolidated balance sheet, plus net debts.

The Group and the Company are not subject to externally imposed capital requirements for the years ended 31 December 2012 and 2011.

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

	2012 RMB'000	2011 RMB'000
Total borrowings	712,350	576,954
Less: cash and cash equivalents	(119,520)	(103,141)
Net debt	592,830	473,813
Total equity	535,502	553,946
Total capital	1,128,332	1,027,759
Gearing ratio	0.52	0.46

32. Fair values

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

The fair value of amount owing to a related party as at the reporting date was estimated via discounting the expected cash flows using a discount rate which approximates the market rate of interest. The fair value is approximately RMB 2,354,000 (2011: RMB 4,590,000). The difference between the carrying amount and the fair value is a gain of approximately RMB167,000 (2011: RMB451,000) which has not been recognised in the profit or loss as it is not material.

Interest rates used for determining fair value

The interest rate used to discount the expected cash flows is as follows:

	2012	2011
Amounts owing to a related party	7.08%	6.48%

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

33. Proposed final dividend

Subject to the approval at the Annual General Meeting, the directors recommend the payment of a first and final dividend of S\$0.005 (2011: nil) per ordinary share (one-tier tax exempt), totalling approximately S\$2.0 million (2011: nil) for the financial year ended 31 December 2012.

34. Contingencies

Legal claim

The former Chief Executive Officer (CEO), Michael Cheah Peng Hock (Michael), who was appointed on 1 June 2009, had in September 2009 written a letter claiming that the Company has repudiated his employment contract arising from curtailment of his responsibilities as CEO. On 25 October 2010, the Company was served with a Writ of Summons from Michael for the alleged claims of RMB8.58 million being the alleged balance of his salary payable according to the Service Agreement/Employment Contract. On 12 January 2011, the Company filed its defence and counter-claim from Michael for the sum of RMB1.56 million for the repudiation of his employment contract.

On 6 February 2013, High Court of Singapore issued its Ground of Decision in respect of the Suit, allowing claimant's (Michael) claim of RMB8.58 million, with interest and costs to be assessed, and dismissing the Company's counter-claim. The Company had since filed a Notice of Appeal to the Court of Appeal in respect of the High Court decision.

The related liabilities of RMB8.58 million have been provided in the financial statements for financial year 2012.

Legal claim against IBM amounting to RMB 2.654 million

Luzhou Bio-Chem Technology (Shandong) Co., Ltd. has entered into a service agreement (Contract sum: RMB2.65 million) with IBM China Co., Ltd (IBM) on 23 May 2010 to acquire IBM's service on business consulting and system integration which is related to the upgrade of SAP accounting system.

However, IBM was unable to complete the service within the timeline stipulated in the service agreement (July 2010 for financial management consulting work and August 2010 for business process reengineering work). IBM delayed the completion of the abovementioned services until the end of 2010.

Upon the completion of the above mentioned services, IBM issued a testing report of the system and the management realised that there were significant variances in the technical specifications of the installed system as compared to the required specifications stipulated in the service agreement. The management sought rectification by IBM but IBM has refused to take any corrective action.

Luzhou's management seek to recover the contract sum paid via legal proceedings on 27 June 2011. The court hearing commenced on 14 February 2012. The court's verdict was issued on 30 November 2012. Luzhou has won the case and IBM will be liable for the full contract sum. This amount should be paid by IBM within 10 days from 30 November 2012. The claim amounting to RMB 2.65 million remained outstanding as at 31 December 2012 and has been recognised as recoverable in other receivables and other income.

statistics of **SHAREHOLDINGS**

As at 14 March 2013

Issued and paid-up capital	:	\$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	% of shareholders	No. of shares	% of shareholdings
1 - 999	3	0.12	1,000	0.00
1,000 - 10,000	1,194	46.21	8,854,000	2.24
10,001 - 1,000,000	1,360	52.63	84,041,000	21.22
1,000,001 and above	27	1.04	303,104,000	76.54
TOTAL	2,584	100.00	396,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 14 March 2013)

Name of shareholders	Direct interest		Deemed interest	
	No. of shares	%	No. of shares	%
Niu Ji Xing ^{(1), (2)}	3,900,000	0.98	157,950,000	39.89
Faith Corporate International Limited ⁽²⁾	157,950,000	39.89	-	-
Toh Bee Yong	32,760,000	8.27	-	-

Notes:

(1) Niu Ji Xing is deemed to have an interest in the 157,950,000 shares held by Faith Corporate International Limited by virtue of Section 7 of the Companies Act, Chapter 50.

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

statistics of **SHAREHOLDINGS**

As at 14 March 2013

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	No. of shares	% of shareholdings
1	CITIBANK NOMINEES SINGAPORE PTE LTD	194,650,000	49.15
2	TOH BEE YONG	32,760,000	8.27
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	10,346,000	2.61
4	CHUA ENG ENG	10,120,002	2.56
5	MAYBANK NOMINEES (S) PTE LTD	6,162,000	1.56
6	OCBC SECURITIES PRIVATE LTD	5,676,000	1.43
7	TEO RAYMOND	4,085,000	1.03
8	LIONG KIAM TECK	3,536,998	0.89
9	DBS NOMINEES PTE LTD	3,115,000	0.79
10	TAN WEN CHIEN FIONA	2,948,000	0.74
11	CHEN SHUOWANG	2,725,000	0.69
12	TEO POH SUAN	2,717,000	0.69
13	UOB KAY HIAN PTE LTD	2,683,000	0.68
14	LIM TCHEN NAN	2,512,000	0.63
15	RAFFLES NOMINEES (PTE) LTD	2,482,000	0.63
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,971,000	0.50
17	MAYBANK KIM ENG SECURITIES PTE LTD	1,558,000	0.39
18	RAMESH S/O PRITAMDAS CHANDIRAMANI	1,556,000	0.39
19	SIM SOO THONG	1,553,000	0.39
20	KO AH HUEY OR TEO POH SUAN	1,467,000	0.37
	TOTAL	294,623,000	74.39

FREE FLOAT

Based on the information provided to the Company as at 14 March 2013, approximately 44.4% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

notice of ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Falcon Room, Level 3, Laguna National Golf & Country Club, 11, Laguna Golf Green, Singapore 488047, on Friday, 26 April 2013 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the audited accounts for the financial year ended 31 December 2012, together with the Reports of the Directors and the Independent Auditors and the Statement by the Directors.

Resolution 2

2. To declare a final one-tier tax exempt cash dividend of SGD0.005 per ordinary share for the financial year ended 31 December 2012.

Resolution 3

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

Resolution 4

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

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

Resolution 5

5. To approve the payment of Directors' fees of SGD130,000 and RMB150,000 for the financial year ending 31 December 2013, to be paid quarterly in arrears (FY2012: SGD130,000 and RMB150,000).

Resolution 6

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

AS SPECIAL BUSINESS

Resolution 7

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

"Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50, the Articles of Association 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,

notice of **ANNUAL GENERAL MEETING**

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

provided that:-

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

[see Explanatory Note (i)]

Resolution 8

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

"Authority to allot and issue shares pursuant to the Luzhou Performance Share Scheme

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised and empowered to grant awards in accordance with the Luzhou Performance Share Scheme (the "**Scheme**") and to allot and issue from time to time such number of 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 shares to be allotted and issued pursuant to the Scheme, when added to the number of shares issued and issuable in respect of all awards granted under the Scheme and all other shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is earlier."

[see Explanatory Note (ii)]

BY ORDER OF THE BOARD

Vincent Lim Bock Hui

Company Secretary

Singapore

10 April 2013

ANNUAL GENERAL MEETING

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

Explanatory Notes:-

- (i) Ordinary Resolution 7 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time Ordinary Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities, (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time Ordinary Resolution 7 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and (c) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.
- (ii) Ordinary Resolution 8 will empower the Directors to grant awards under the Luzhou Performance Share Scheme and to allot and issue shares pursuant to the vesting of the awards under the Scheme, provided that the aggregate number of shares to delivered under the Scheme, when added to the number of shares issued and issuable in respect of all awards granted under the Scheme and all other shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time.

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 18 Cross Street #07-11 China Square Central, Singapore 048423, not less than 48 hours before the time appointed for holding the above Meeting.

annual general meeting

PROXY FORM

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore) (Company Registration No. 200412523N)

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 their information only.
2. This Proxy Form is therefore 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 (%)

or failing the person or both of the persons above, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company to be held at Falcon Room, Level 3, Laguna National Golf & Country Club, 11, Laguna Golf Green, Singapore 488047 on Friday, 26 April 2013 at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting 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 and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
1.	Audited accounts for financial year ended 31 December 2012 and Reports of the Directors and the Independent Auditors and Statement by the Directors		
2.	Payment of final dividend		
3.	Re-election of Mr Gao Zhong Fa as a Director		
4.	Re-election of Mr Kong Xiang Chao as a Director		
5.	Approval of Directors' fees of SGD130,000 and RMB150,000		
6.	Re-appointment of Mazars LLP as Independent Auditors		
7.	Authority to allot and issue shares		
8.	Authority to allot and issue shares pursuant to Luzhou Performance Share Scheme		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolution as set out in the Notice of AGM.)

Dated this _____ day of _____ 2013

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

annual general meeting

PROXY FORM

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore) (Company Registration No. 200412523N)

Notes:-

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, 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. 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, Chapter 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 shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
4. This proxy form must be deposited at the registered office of the Company at 18 Cross Street #07-11 China Square Central Singapore 048423 not less than 48 hours before the time set for the AGM.
5. 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 an officer or attorney duly authorised.
6. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
7. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

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