Quality Products
Strong Branding

LUZHOU BIO-CHEM TECHNOLOGY LIMITED
Annual Report 2014

Quality Products
Strong Branding

Together more resilient

Contents

Corporate Profile

A track record of success

Established in 1988 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in February 2006, Luzhou 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

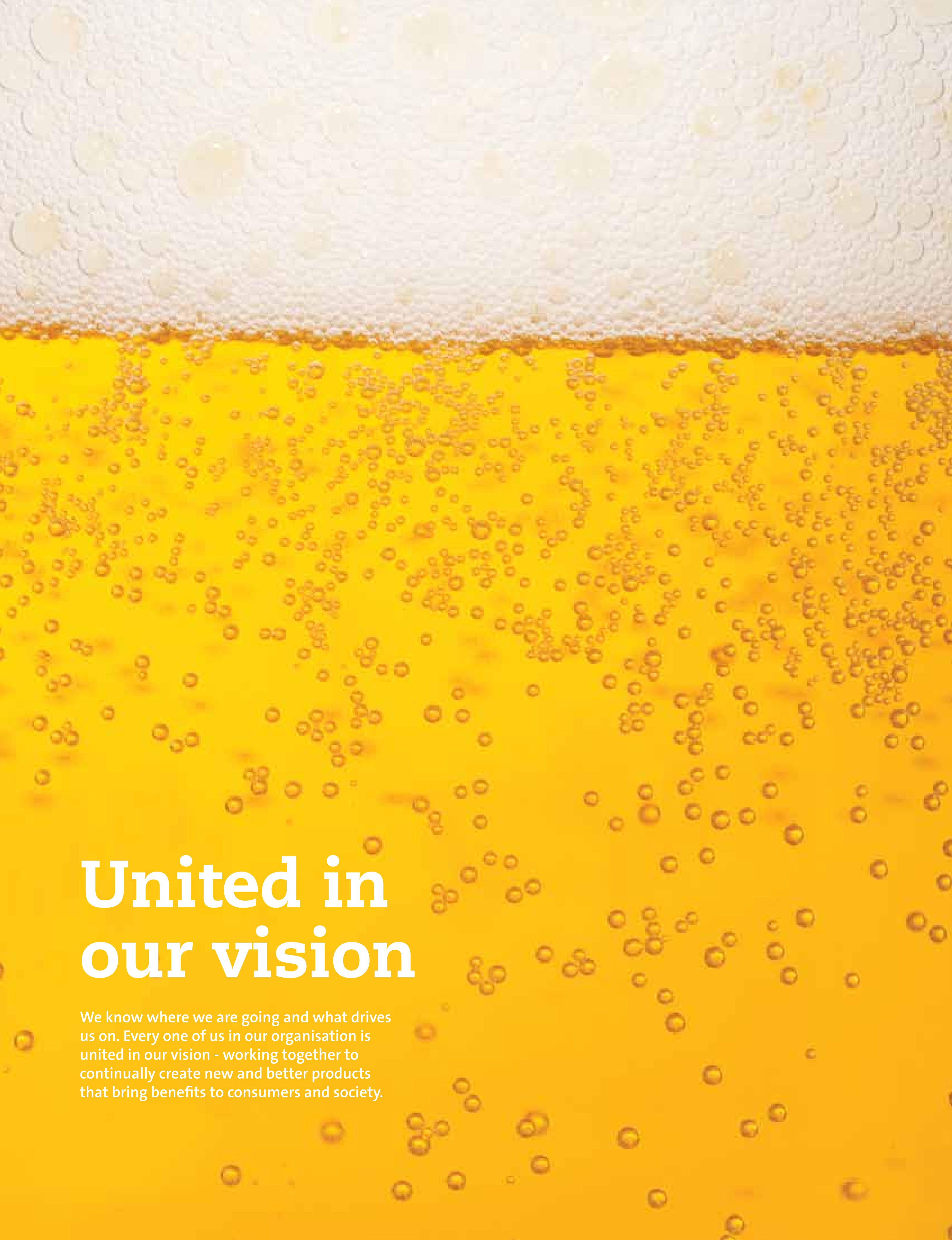
Luzhou has strategically increased its production capacity by 60% since 2006, and currently maintains a total production capacity of 1,040,000 tonnes per annum through six production facilities in the PRC. These include two production facilities in Yishui, Shandong Province, and one each in Fushun, Liaoning 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), Henan Lian Hua Weijing Co., Ltd (河南莲花味精股份有限公司), Coca-Cola China (可口可乐中国公司), Pepsi-Cola China (百事可乐中国公司) and China Resources Snow Breweries Co.,Ltd. (华润雪花啤酒 (中国) 有限公司).



United in our vision

We know where we are going and what drives us on. Every one of us in our organisation is united in our vision - working together to continually create new and better products that bring benefits to consumers and society.

Executive Chairman and Chief Executive Officer's Message

Mr Niu Ji Xing

Executive Chairman and Chief Executive Officer

> "The Group is geared up on the sales front, to re-strategise both its domestic and international marketing efforts, targeting both existing and new customers with a focus on high profit margin products."

Dear Shareholders,

On behalf of the Board of Directors of Luzhou Bio-Chem Technology Limited ("Luzhou"), I present the Group report and financials for the year ended 31 December 2014 (FY2014) and share our strategies moving forward.

MARKET OVERVIEW

The year under review was characterised by significant challenges for the Group, the most notable being the stagnant China economy, and the risk that certain manufacturing sectors could degenerate into sunset industries.

For the corn sweetener segment, FY2014 was wrought with stiff price competition, leading to a product oversupply that saw weak domestic demand threaten to pull down selling prices. In addition, measures by the central government to slow down inflation by keeping the price of raw materials high, consequently placed sustained pressures on profit margins.

While the poor global market sentiment did not have a direct impact on Luzhou, with export sales accounting for only 5% of total sales in FY2014, it did affect our domestic downstream customers for which export sales were key. The negative impact on their businesses further dampened domestic demand for our products.

Overall, the financial performance of the company was adversely affected by a number of unfavourable external fiscal factors. Nevertheless, we are confident that our timely strategies implemented over the course of the year adequately addressed key issues, and that Luzhou will be on track to gain ground and achieve a better performance in the year ahead.

FINANCIAL PERFORMANCE

The Group reported total revenue of RMB 2.1 billion for the financial year ended 31 December 2014, a decrease of 31.1% from RMB 3.0 billion recorded in FY2013. The year's financial performance was attributed to an increase in corn prices that affected our cost of sales, together with a decrease in the selling price of corn refining products.

A significant rise in our operating expenses during the year was derived from the impairment of assets. This saw our net loss before tax increase from RMB 110.6 million in FY2013 to RMB 339.8 million in FY2014. Gross profit margins decreased by 30.8%, from 6.5% in FY2013 to 4.5% in FY2014.

Over the year in review, the Group maintained the same production capacity levels as it did in FY2013, with a total output of 1,040,000 tonnes and a utilisation rate of 53.2%. Plant utilisation continued to decrease as compared to the 72.4% rate we posted in FY2013, due in most part, to strategic halts in our production of unprofitable products.

Loss per share on a fully diluted basis for FY2014 was 85.8 RMB cents, while net asset value backing per ordinary share for the Group as at 31 December 2014,

Executive Chairman and Chief Executive Officer's Message

was 18.2 RMB cents against 104.0 RMB cents in FY2013. The Group's year-end cash position was RMB 54.6 million as at 31 December 2014, compared to RMB 66.7 million in the previous fiscal year.

BUSINESS REVIEW

In response to the still less-than-ideal market conditions of the previous year, Luzhou continued to adopt defensive strategies in FY2014 to safeguard our competitive position.

We chose not to get embroiled in a price war with our major competitors, working instead to fend off the challenges brought on by market oversupply and low cash assets. We exercised prudence and made several conscious decisions to conserve our existing resources and improve efficacy, while, at the same time, still providing quality products to meet the market demand of our current customers.

Among other things, we continued to adjust our product mix towards higher value products, embrace more automation for efficiency and productivity as well as streamline our production processes and sales approaches to keep capital costs low. Every effort we initiated during the year in review has been designed to ensure better operational sustainability in preparation for the upturn in the economy.

Although the Group did not extend its territorial reach in FY2014, Luzhou remains ready for market expansion. Our sights are still set on the market in Northeastern China, a long-pursued target market with immense potential for marketing our high value corn sweetener products.

MARKET OUTLOOK

The weak China domestic economy and government measures to slow inflation continued to frustrate market players in FY2014. Come FY2015, the central government is optimistic that the economy will pick itself up from its stupor and grow at a postulated healthy 7%. All the same, we continue to be mindful of the potential pressures on profit margins as a result of higher labour costs, as well as any unfavourable circumstances or policy moves by the Central Government to predetermine price levels.

While our financial performance suffered in this last year of review, FY2015 is likely to be an important turnaround point for Luzhou. Indeed, with intense price competition shaking up the industry and weeding out lesser players, we are well placed to capitalise on our advantageous position and regain our competitiveness in the now slow-moving market. We are quietly confident that our strategic big-picture thinking will help us deliver an improved set of results when the economy improves.

STRATEGIES FOR GROWTH

Luzhou will approach the new financial year with cautious optimism. Quality and efficiency will continue to be our top priorities even as the Group aims to keep costs minimal, and improve capacity utilisation rates through more automation.

In order to reinforce Luzhou's current portfolio, we intend to modify existing production lines to achieve better returns, especially for high value products. Doing so also helps us stimulate our competitiveness by ensuring high quality standards for profitable products. Additionally, the Group has plans to re-evaluate its product mix, so as to potentially kickstart the production of previously terminated products.

In turn, the Group is geared up on the sales front, to re-strategise both its domestic and international marketing efforts, targeting both existing and new customers with a focus on high profit margin products.

CORPORATE DEVELOPMENT

Group CEO, Mr. Wang De You, stepped down from his position as Luzhou's Chief Executive Officer with effect from 6 March 2015. With the endorsement of the Board of Directors of Luzhou, Mr. Niu Ji Xing, currently the Executive Chairman of company and previously Group CEO between September 2009 and January 2012 will reprise the role with immediate effect. The Board would like to take this opportunity to thank Mr. Wang for his valued contribution as CEO of the company during his tenure. He will remain an Executive Director of the company.

APPRECIATION

On behalf of the Board of Directors, I would also like to thank our stakeholders and acknowledge team of Luzhou for their continued confidence and dedication to the company. It is only with your steadfast support that the Group has weathered the myriad challenges the industry has placed on us. While the immediate future may continue to appear subdued, I am committed to steering the Group towards progress and re-establishing our market strengths in the year ahead.

Niu Ji Xing
Executive Chairman and Chief Executive Officer

执行主席兼首席执行官
致辞

尊敬的各位股东
我谨代表鲁洲生物科技有限公司董事会呈递集团2014财年财务报表及报告，并向大家介绍我们以后的经营策略。

市场概述
集团在2014年承受了极大挑战，最为显著的是萧条的中国经济，以及部分制造业衰退为夕阳产业。

在2014年，玉米淀粉糖行业价格竞争激烈，导致产品供给过剩，加上国内市场需求疲软，拉低了产品售价。另外，中央政府为降低通货膨胀速度，采取了一些使原材料价格保持高位的措施，导致利润率长期受到挤压。

虽然在2014年集团出口销售收入仅占总销售收入5%，国际市场状况不理想未给鲁洲造成直接影响，但是给国内以出口为主的下游客户带来了较大影响，进而降低了我们产品的国内市场需求量。

总之，很多不利的外部政策因素给公司财务业绩带来了负面影响。然而，我们依然坚信在2014年及时采取的各种对策足以解决所面临的主要问题，同时鲁洲将走上发展轨道，来年业绩将会变好。

财务业绩
集团2014年报告销售收入总额为人民币21亿元，比2013年的人民币30亿元下降31.1%，这主要归因于玉米价格上涨导致销售成本增加，以及玉米深加工产品销售价格的下降。

在2014年，营业费用显著增加，这主要归因于本年计提的资产减值损失。税前亏损从2013年的人民币110.6百万元增加到2014年的人民币339.8百万元。毛利率从2013年的6.5%下降到2014年的4.5%，下降30.8%。

在本财年，集团总产能1,040,000吨，与去年一样。本年产能利用率继续下降，仅53.2%，而2013年产能利用率为72.4%，这主要归因于我们在本年采取了暂停生产不盈利产品的策略。

2014年稀释后每股亏损为人民币85.8分，集团每股净资产在2014年12月31日为人民币18.2分，在2013年年末为人民币104.0分。集团年末现金头寸为人民币54.6百万元，去年年末为人民币66.7百万元。

经营回顾
鉴于2014年不理想的市场环境，鲁洲为保护自己的竞争地位采取了防守策略。

面对市场供给过剩及较低的现金资产，我们选择避开同行竞争对手之间的价格战。我们做出了一些谨慎明确的决定，那就是保存资源、提高效率，同时向我们现有客户提供高品质产品，满足客户需求。

除此之外，我们继续调整产品组合，增加高附加值产品比重，通过提高自动化水平来提高生产效率，优化生产流程和销售模式，以尽量降低费用成本。我们所做的每项努力都旨在维持公司持续经营，为经济情况好转做准备。

虽然集团的市场覆盖面在2014年没有扩大，但是鲁洲一直都做着进行市场扩张的准备。我们的重点仍然在中国东北地区，这个市场具有销售高价值玉米淀粉糖产品的巨大潜力，是我们一直努力开发的目标市场。

市场前景
在2014年，疲软的中国经济以及抑制通货膨胀的政府措施，继续使市场参与者受挫。关于2015年， 中央政府对经济发展保持乐观，预计经济开始回升，2015年经济增长速度将保持在7%的健康水平上。然而我们会继续关注员工成本增加、中央政府出台的政策以及其他不利因素，这些都可能给公司利润率带来潜在负面影响。

虽然在2014年我们的财务业绩受到重挫，2015年很可能是鲁洲的重要转折点。实际上，激烈的价格竞争动摇了整个行业并迫使小规模参与者退出，我们正好趁机利用我们的优势在当前迟缓的市场经济条件下恢复我们的竞争力。我们坚信，当整个经济环境改善时，我们的全局观将有助于我们交付更好的业绩。

成长策略
鲁洲对2015年情况持谨慎乐观态度。质量和效率仍然是我们最为重视的，集团计划通过提高自动化水平来提高产能利用率，并把成本降到最低。

为进一步改善鲁洲当前的产品组合，提高获利水平，我们计划对现有生产线进行改造， 尤其是高附加值产品的生产线。这可以帮助我们确保提供具有高质量标准的盈利产品，提高竞争力。另外，集团计划重新评估其产品组合，有可能会重新生产之前停产的产品。

接着，集团将加大销售力度，重新调整国内外销售策略，向现有和新开发客户重点推销具有高利润率的产品。

公司发展
自2015年3月6日起，集团首席执行官王德友先生任期期满，卸任首席执行官职务。经鲁洲董事会同意，由现在的公司执行主席牛继星先生——前任集团首席执行官（2009年9月到2012年1月）——重新担任首席执行官一职。董事会想借此机会感谢王先生在其首席执行官任期内为公司所做的重要贡献。王先生仍然是公司的执行董事。

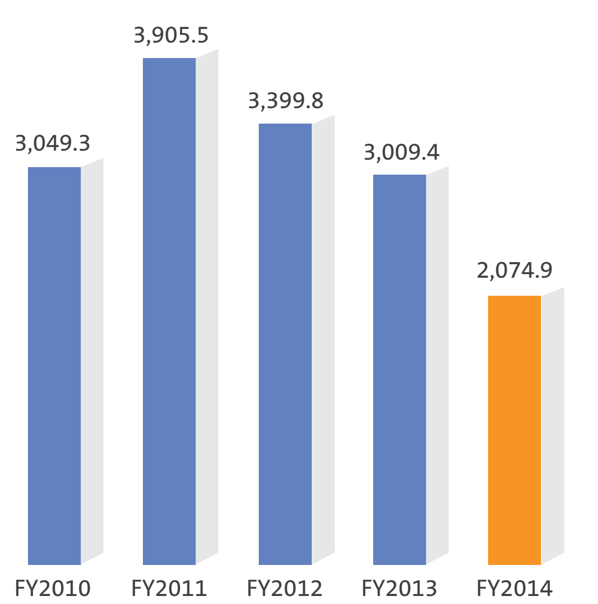
感谢语
最后，我谨代表鲁洲董事会，感谢鲁洲的股东和工作团队一直以来对公司的信任和所做的贡献，正是因为你们对公司持之以恒的支持，才使集团经受住了种种挑战。虽然未来可能仍然困难重重，但是我决心要带领集团不断发展前进，重新建立我们的市场优势。

牛继星
执行主席兼首席执行官

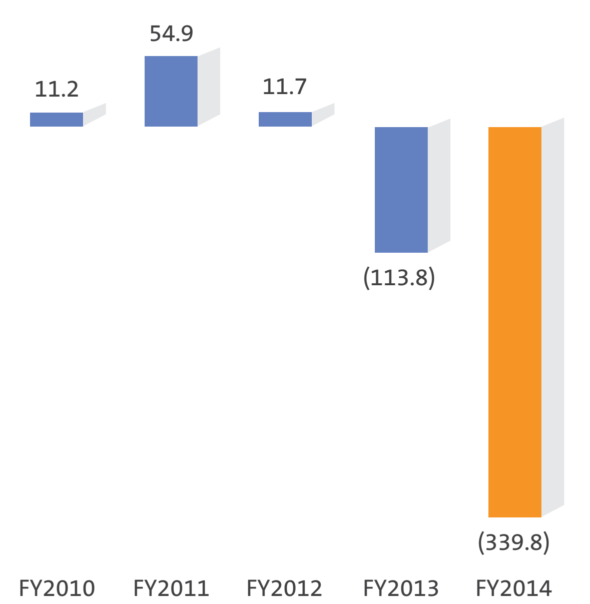
Financial Highlights

	2010 RMB million	2011 RMB million	2012 RMB million	2013 RMB million	**2014 RMB million**
Revenue	3,049.3	3,905.5	3,399.8	3,009.4	**2,074.9**
(Loss)/earnings Before Interests, Tax, Depreciation and Amortisation ("EBITDA")	129.8	200.6	165.0	48.6	**(52.7)**
Net (Loss) / Profit Before Tax	6.2	61.5	24.4	(110.6)	**(339.8)**
Net (Loss) / Profit After Tax and Non-controlling Interests ("PATNCI")	11.2	54.9	11.7	(113.8)	**(339.8)**
Net (Loss) / Profit Margin (%)	0.2	1.3	0.4	(3.8)	**(16.4)**
Revenue by Operating Segments (%)					
– Core Refining	91.0	89.1	89.0	87.0	**89.6**
– Animal Feed	8.4	9.5	9.5	12.0	**9.9**
– Others	0.6	1.4	1.5	1.0	**0.5**
	100.0	100.0	100.0	100.0	**100.0**
Revenue by Geographical Segments (%)					
– PRC	93.9	93.2	94.4	95.0	**95.1**
– Other Countries	6.1	6.8	5.6	5.0	**4.9**
	100.0	100.0	100.0	100.0	**100.0**
At Year End					
Net Current Assets	4.7	18.7	68.0	63.1	**(48.4)**
Total Assets	1,574.3	1,832.7	1,778.9	1,571.4	**1,240.8**
Total Equity	503.5	553.9	535.5	412.0	**72.2**
Total Liabilities	1,070.8	1,278.7	1,243.4	1,159.4	**1,168.6**
Cash and Cash Equivalents	71.0	103.1	119.5	66.7	**54.6**
Per Share (RMB cents)					
(Loss) / Earnings per Share	2.8	13.9	3.0	(28.7)	**(85.8)**
Net Tangible Assets per Ordinary Share	116.8	132.5	135.2	104.0	**18.2**
Dividend per Share (SGD)	-	-	0.005	-	**-**
Returns (%)					
Return on Revenue	0.2	1.3	0.4	(3.8)	**(16.4)**
Return on Shareholders' Equity	1.2	9.1	2.7	(27.6)	**(470.5)**
Return on Total Assets	0.4	2.8	0.8	(7.2)	**(27.4)**
Ratios					
– Inventory Turnover	32	30	37	37	**47**
– Trade Receivables	16	16	24	27	**33**
– Trade Payables	32	32	35	32	**40**
– Debt to Equity Ratio (Times)	1.23	1.04	1.33	1.87	**10.96**

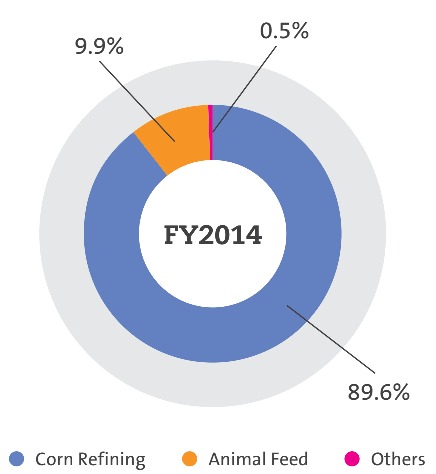
Revenue (RMB million)



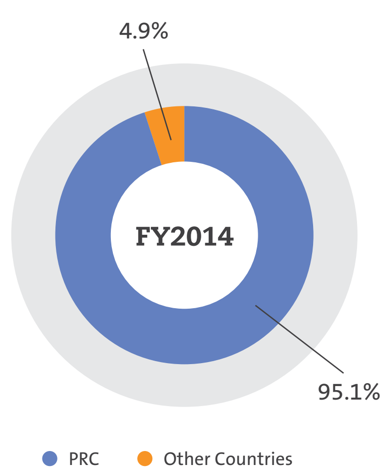
Net Profit / (Loss) After Tax and Non-controlling Interests ("PATNCI") (RMB million)



Revenue by Operating Segments (%)



Revenue by Geographical Segments (%)



Synergising our capabilities

We have a well-defined strategy to position us for the upturn in the future. By synergising our capabilities, we will focus on quality and efficiency while striving to optimise capacity utilisation rates via more automation.

Operations Review

1. The liquefaction process of Fructose production line
2. Liaoning plant office building

Luzhou Bio-Chem demonstrated a continuous resilience in the tough year that was 2014, making carefully calculated decisions that were designed to help the company bunker down and ride out the challenges that it faced across its operations.

Accompanying the rampant economic restructuring that shook up the manufacturing sector in China, was the looming threat of inflation that impeded growth and almost brought the economy to a standstill. This severely weakened the overall market demand for corn sweeteners and threatened oversupply conditions that began to pile significant competitive pressures on manufacturers in this market sector.

Whilst other players in the market scurried to liquidate assets by lowering prices to force sales, Luzhou steadfastly adopted a more conservative yet prudent strategy to consolidate its position and retain its market share. The Group decided to systematically pull back on selected production lines, with the view that it would strive to maintain ready resources that would stand it in good stead for re-investment when its risk-reward ratio improved.

Operations Review

1

As envisaged, overcapacity soon became a reality for the industry, and the Group implemented a series of efficiency enhancing initiatives that included streamlining its production of unprofitable sweeteners, reducing its dependence on labour resources, and increasing automation through the upgrading of equipment to make production more efficient.

Without a doubt, the Group's reconfiguration of its production lines impacted plant utilisation significantly. For the year in review, the total plant utilisation rate was 53.2% as compared to the 72.4% that was posted for FY2013. Additionally, although Northeast China continued to be one of the major target markets for Luzhou's products, its new Liaoning facility that was built to cater to potential demand from this market was impacted by poor sales and recorded significant losses for the year.

Despite this bleak landscape, Luzhou nevertheless continued to persist with stringent quality control across all its facilities as part of the Group's firm commitment to deliver the highest quality corn sweetener products.

At the same time, the company began to implement new cost saving policies designed to conserve financial resources across the organisation. These included cautious spending on administrative-type functions, the reduction where possible, of high-interest borrowings by the Group, and the limitation of unnecessary sales and distribution-related expenditure.

To defend itself further against the challenging macroeconomic circumstances, Luzhou also decided to put all its plant upgrading and target market expansion projects on hold. Instead, it has focused resources on servicing its already wide-ranging market segments, and continuing to deliver quality products to its existing customers.

1. Liaoning plant full view
2. Maltose production line in our Liaoning plant

Moving forward, the Group is aware of a possible inflation of labour and associated staff costs that it foresees will impact its competitive position in FY2015, and will exercise care in implementing other cost-saving measures as necessary.

While it may be difficult to accurately predict what the coming year may bring to the table, the general outlook for FY2015 looks to be positive for the company. It is already in the process of reinitiating production of several product lines that were previously put on hold.

The Group believes it is well poised to capitalise on new opportunities that are anticipated to arise within the corn sweetener segment in the year ahead, but it is also keeping a vigilant and watchful eye out for new challenges and obstacles that could hinder the company's cautiously optimistic outlook for the year ahead.

Financial Review

REVENUE

For the financial year ended 31 December 2014, Luzhou Bio-Chem reported a year-on-year (y-o-y) revenue decrease of 31.1%, from RMB3.0 billion to RMB2.1 billion. Weak market demand in the corn refining segment was accentuated by stiff price competition and high raw material prices, both of which contributed to the tough challenges Luzhou faced in this year of review.

Despite a 2.6% year-on-year upward-trending corn starch selling price, the corresponding erosion in the prices of corn sweeteners (2.9%) and by-products (5.4%) meant that the weighted average price of corn refining products still decreased by 2.3%, against a 6.8% year-on-year decrease in FY2013.

Overall, weak market sentiment and corresponding poor demand accounted for significant dips in the sales volumes for corn sweeteners (21.1%), corn starch (73.0%) and by-products (31.4%). The resulting decline in sales volume for the corn-refining segment was 26.9%, from 1,046 K tonnes in FY2013 to 765K tonnes in FY2014.

Additionally, the Group's sales volume for animal feeds declined 41.4% from FY2013, contributing to an eventual 43.2% year-on-year decrease in Luzhou's annual revenue.

Export revenue in FY2014 decreased 32.1% year-on-year, and was posted as 4.9% against total revenue, as compared to 5.0% in FY2013.

GROSS PROFIT

The higher price of raw corn (up 5.5% year-on-year) and lower selling prices of corn refining products (down 2.3% year-on-year) placed a considerable amount of pressure on the Group's profit margins. For FY2014, gross profit declined 52.4% year-on-year to RMB 93.1 million, while the cost of sales fell 29.6%. Ensuingly, Group gross profit margin decreased by 30.8% year-on-year to 4.49% in FY2014.

More positively, the Group's 'Others' category delivered a better margin performance, generating profitability of RMB0.3 million for FY2014, compared to a gross loss of RMB2.4 million in FY2013 (110.7% higher year-on-year). The Group's Animal Feeds segment also generated profitability of RMB0.1 million, despite a 95.0% year-on-year reduction.

OPERATING EXPENSES

In the face of intense price competition and sales volume decreases, overcapacity across Luzhou's operations inevitably led to higher operating expenses incurred by the Group over the year in review.

The weak market demand, the corresponding decreases in transportation costs and staff costs, as well as a supplementary tax on sales, together meant that the Group's selling and distribution expenses in FY2014 totaled RMB109.5 million, 18.9% lower than that of FY2013.

Conversely, administrative expenses and other operating expenses rose 2.3% to RMB140.8 million and 938.8% to RMB154.0 million respectively. By halting the production of non-profitable products, the Group had to accept significant depreciation costs and higher social insurance payments, costs from the impairment of property, plant and equipment, and an increase in the loss of disposal of plant and equipment.

Concurrently, Luzhou's finance costs rose 10.7% to RMB58.0 million in FY2014, as a result of an increase in interest-bearing loans and borrowings, and higher effective bank interest rates.

The Group's effective tax rate in FY2014 remained higher than the statutory tax rate. The Group did not recognise deferred tax assets in its books due to the uncertainties in future taxable profits of its loss-making subsidiaries.

NET INCOME

For FY2014, Luzhou recorded an increase in its total comprehensive loss to RMB339.8 million, due in part to a year-on-year drop in gross profit of RMB102.6 million, and in part to an overall rise in business spending, mostly for other operating expenses. The latter component was partially mitigated by a reduced allowance for slow-moving inventories, the decrease in payment of accrued income tax for the fiscal year prior, and legal damages paid to former CEO Mr Cheah Peng Hock in FY2013.

ASSETS AND LIABILITIES

The Group's current assets decreased 18.5% to RMB502.0 million as at 31 December 2014, contributed mainly by a decrease in other receivables, deposits and prepayments of RMB56.1 million, compared to an increase in FY2013. Other factors were considerably smaller compared to FY2013, with a fall of RMB34.3 million in inventory, RMB12.3 million in trade receivables, and RMB12.1 million in cash and cash equivalents in FY2014.

Inventory turnover days was higher at 47 days in FY2014, up from 37 days in FY2013. Trade receivables turnover days also increased to 33 days in FY2014, from 27 days in FY2013.

Non-current assets fell by RMB216.7 million in FY2014, largely a result of depreciation and impairment, which were also partially offset by the capital expenditure.

Current liabilities reduced to RMB550.4 million as at 31 December 2014, owing to decreases in other payables and accruals, amount owing to a related party, and deferred income.

Trade payable turnover days was higher at 40 days, from 32 days in FY2013. Due to an increase in total interesting-bearing loans and borrowings, as well as a decrease in total equity from the overall net loss through the year, the Group's debt equity ratio stood at 10.96 times as at 31 December 2014, against 1.87 times in FY2013.

Non-current liabilities increased by RMB11.5 million to RMB618.2 million as at 31 December 2014. This was after the increase in the Group's interest-bearing loans and borrowings of RMB5.1 million, and a two-year extension of an interest-free loan from a director of RM9.8 million.

CASH FLOW

The Group reported a net operating cash inflow of RMB12.7 million, after factoring in operating losses before changes in working capital of RMB52.7 million, a decrease in working capital of RMB66.7 million, and RMB1.4 million payment of FY13 income tax.

The Group's net cash generated from investing activities amounted to RMB10.8 million. This included the construction of facilities and equipment for the Group's plant in Henan, the purchase of containers for finished products, and a net increase in pledged cash deposits. The cash outflow was mitigated somewhat by an inflow of RMB11.6 million from Luzhou's disposal of plant and equipment during the year. In addition, the Group received the government grant of RMB34.5 million related to the relocation of our Liaoning plant during FY2014.

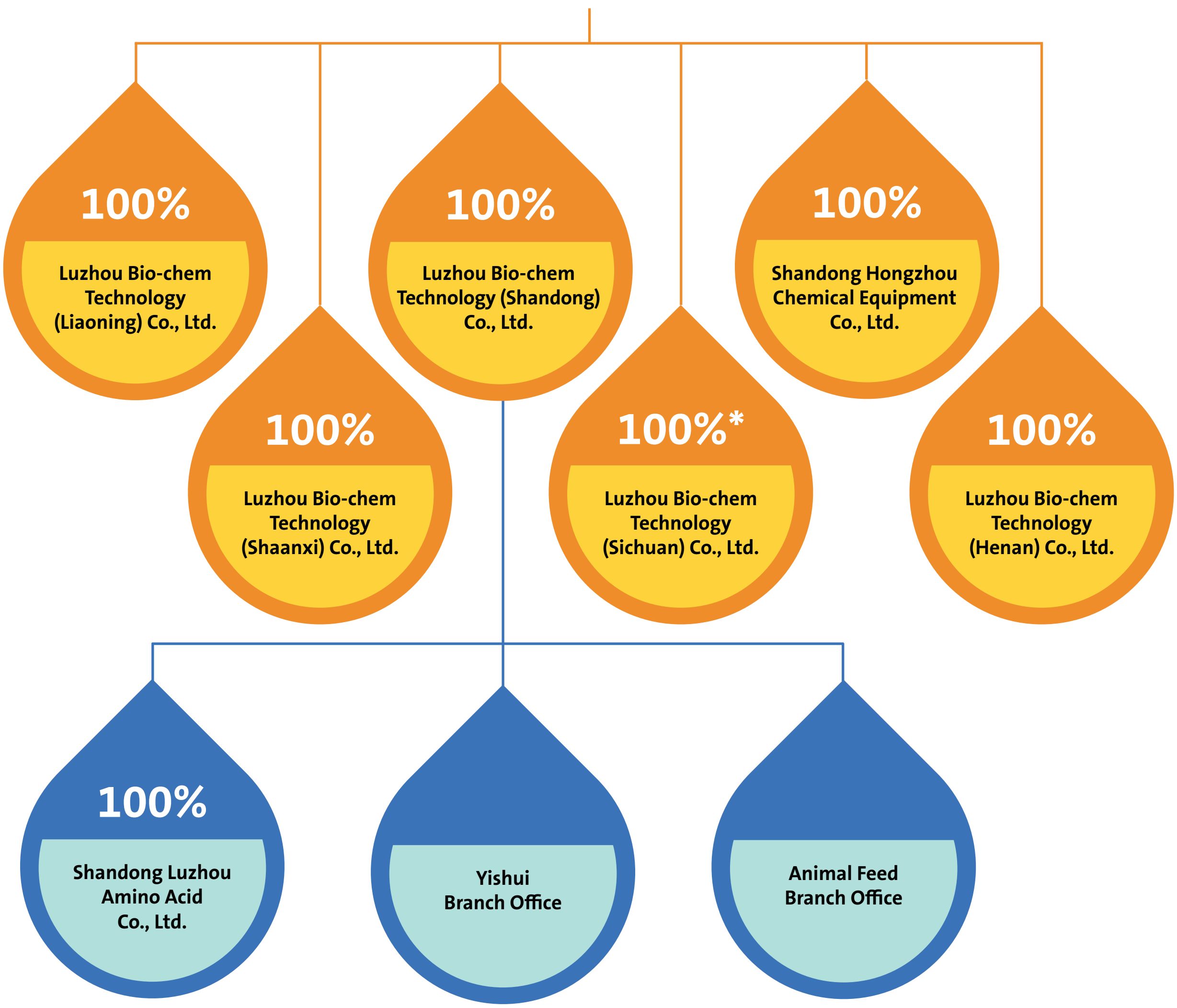
Luzhou also utilised net cash of RMB39.1 million for financing activities in FY2014. This included a payment of interest of RMB58.0 million and a repayment of RMB1.5 million in interest-free loans from a Group director. This outflow was buffered by a net increase in bank loans of RMB22.1 million that was used to finance working capital needs.

Combining our experience

With our deep industry knowledge and expertise, one of our fundamental strengths is the vast experience of our team. Collectively combined, our experience will ensure that we are always at the forefront of corn bio-product technology.

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. Niu Ji Xing

Niu Ji Xing is our Founder and Executive Chairman & Chief Executive Officer. He is responsible for formulating the business strategies and investments of our Group, as well as for its overall management. Mr Niu has many years of experience in the corn refining industry in PRC. Prior to joining our Group, he was the Chairman of the Board of the Shandong Luzhou Food Group of China, which comprises a group of enterprises including Shandong Luzhou, Liaoning Luzhou, 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 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).

02. Wang De You

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

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

03. Gao Zhong Fa

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

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

04. 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. From November 2004 to 2010, he was the Executive Director of ecoWise Holdings Limited. He also has extensive experience in investment banking and stock broking when he was with the DBS Group from 1993 to 2001.

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

He also serves on the board of Hong Kong listed company, City e-Solutions Ltd as well as Hwang Capital (Malaysia) Berhad, a public listed company in Malaysia.

05. 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.

06. 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 CFM Holdings Ltd.

Senior Management

Zhang Ke

Zhang Ke is our Group Deputy General Manager, and is primarily responsible for the planning of business process system, and the management of internet and information technology functions of our Group. He started his career with Shandong Luzhou in April 1997 as a sales supervisor and became a sales manager in 1999. From 2000 to 2004, he was the Deputy General Manager of Shandong Luzhou, before being promoted to General Manager of Hunan Taoyuan. In 2005, he was appointed the General Manager of 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 Luzhou bio-chem technology (Shandong) Co. Ltd. (the "Luzhou Shandong") responsible for the overall management of Luzhou Shandong's business and operations. Niu Ji Chao has been involved in engineering works since 1998 as an assistant chief engineer at Shandong Luzhou Food Product Pte. Ltd. He was later appointed the chief engineer and production and technical centre manager at Shandong Luzhou from 2002 to 2003. Prior to joining our Group in 2005, he had been the deputy general manager and chief engineer of Shandong Luzhou from February 2003. Before assuming the current position, he was the Goup's Chief Engineer and then the General Manager of our Production Department.

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

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 our Group Deputy General Manager, 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 and then the General Manager of our Group's Sales & Marketing Department. He has received formal education up to pre-University level.

Corporate Information

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

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

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

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

COMPANY SECRETARY
Vincent Lim Bock Hui, LLB (Hons)

REGISTERED OFFICE
18 Cross Street
#07-11 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
RHT Corporate Advisory Pte. Ltd.
Six Battery Road #10-01
Singapore 049909

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

Corporate Governance Report

The Board of Directors (the "**Board**") of Luzhou Bio-chem Technology Limited (the "**Company**", and together with its subsidiaries, the "**Group**") recognises that adherence to the guidelines recommended by the Singapore Code of Corporate Governance 2012 (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 2014 ("**FY2014**"), 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 long-term success of the company. The Board works with Management to achieve this objective and 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;
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets; and
- approving the release of the Group's quarterly and full-year financial results and related party transactions of a material nature.

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company.

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

Corporate Governance Report

The number of meetings held and attendance at the meetings during FY2014 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. Newly appointed directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. All directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars is arranged and funded by the Company. The external auditors update the directors on the new or revised financial reporting standards on an annual basis.

Board Composition and Guidance

Principle 2: 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 and 10% shareholders. 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 and Chief Executive Officer
Wang De You — Executive Director
Gao Zhong Fa — Executive Director

Non-Executive Directors

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

The independent directors make up half of the Board as the Chairman is part of the management team and not an independent director. 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 corporations, its 10% shareholders 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 and the Board. Each independent director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of any director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. The Board observes that the independent directors who have served on the Board for more than nine years have been exercising independent judgement in the best interests of the Company in the discharge of their duties and should be deemed independent. The Board recognises the contribution of the independent directors who have over time developed a good understanding of the Group's business and operations and who are therefore able to provide invaluable contributions to the Board as a whole. As such, the Board has decided to retain the services of each independent director instead of losing the benefit of his contribution.

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

The current composition of the Board and the Board committees includes a diverse breadth of industry expertise, knowledge and experience in areas such as accounting, finance, legal, strategic planning and business management. This enables the Management to benefit from the external and expert perspectives of the directors who collectively possess the core competencies relevant to the direction and growth of the Group.

The independent directors communicate regularly to discuss matters related to the Group, including the performance of the Management. They also provide constructive input in developing the Group's business strategies.

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 between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

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

In view that the Executive Chairman is not an independent director and is part of the executive management team, Mr Teoh Teik Kee had been appointed as the lead independent director and he is available to shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman and CEO has failed to resolve or is inappropriate. Led by the lead independent director, the independent directors meet without the presence of the other directors, if deemed necessary, and the lead independent director provides feedback to the Executive Chairman and CEO after such meetings.

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

The NC comprises the following members:

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

Mr Ong Wei Jin is an independent director and Mr Teoh Teik Kee is the lead independent director.

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

- making recommendations to the Board on relevant matters relating to the review of board succession plans for directors, in particular, the Chairman and for the CEO, the development of a process for evaluation of the performance of the Board, the Board committees and directors, and the review of training and professional development programmes for the Board;
- making recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable), taking into consideration the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (such as attendance, preparedness, participation and candour);
- ensuring that all directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years;
- determining annually, and as and when circumstances require, whether a director (including an alternate director) is independent, bearing in mind paragraph 2.3 of the Code and any other salient factors;
- deciding if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments; and
- assessing the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual director to the effectiveness of the Board.

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

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

Name of director	Appointment	Date of initial appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies (in the last three years)
Niu Ji Xing	Executive Chairman and CEO	17 November 2004	29 April 2014	None	None
Gao Zhong Fa	Executive Director	13 May 2005	26 April 2013	None	None
Wang De You	Executive Director	13 May 2005	26 April 2012	None	None
Kong Xiang Chao	Independent Director	13 May 2005	26 April 2013	None	None
Teoh Teik Kee	Lead Independent Director	13 May 2005	29 April 2014	City e-Solutions Ltd Hwang Capital-(Malaysia) Berhad	Great Group Holdings Limited
Ong Wei Jin	Independent Director	13 May 2005	26 April 2012	China XLX Fertiliser Ltd CFM Holdings Ltd	Consciencefood Holdings Ltd

According to Article 107 of the Company's Articles of Association, Mr Wang De You and Mr Ong Wei Jin will retire at the Company's forthcoming AGM and will be eligible for re-election.

As none of the directors hold more than three directorships in listed companies concurrently, the Board is of the view that there is no necessity at this point in time to determine the maximum number of listed company board representations which a director may hold.

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

Key information on the individual directors and their shareholdings in the Company are set out in the "Board of Directors" and "Directors' Report" sections 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 annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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

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

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

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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

The 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:

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

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

Level and Mix of Remuneration
Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies. The remuneration package also takes into account the Company's relative performance and the performance of individual directors and key management personnel.

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

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

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

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: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

The following shows the level and mix of each director's remuneration paid or payable for the financial year ended 31 December 2014:

Remuneration bands	Base salary[1] %	Variable or performance-related bonus %	Directors' fees[2] %	Other benefits %	Total %
Directors ***Above S$250,000 and up to S$500,000***					
Niu Ji Xing	100	-	-	-	100
Wang De You	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
Key Management Personnel ***Up to S$250,000***					
Zhang Ke	80.7	19.3	-	-	100
Li Na	80.7	19.3	-	-	100
Niu Ji Chao	80.7	19.3	-	-	100
Mao De Qing	80.8	19.2	-	-	100
Koh Pee Keat	92.6	7.4	-	-	100

Notes:-

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

The aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO) of the Group in FY2014 amounted to S$413,226.

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

No employee who is an immediate family member of a director or the CEO was paid more than S$50,000 during FY2014.

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. In line with the rules of the SGX-ST Listing Manual, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management understands its role in providing all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, financial position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The external and internal auditors conduct annual reviews of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

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

Based on the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, were adequate as at 31 December 2014.

Corporate Governance Report

Audit Committee

*Principle 12: The Board should establish an Audit Committee (“**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 internal auditors, including the results of the external and internal auditors’ review and evaluation of the Group’s system of internal controls;
- reviewing the annual consolidated financial statements and the external auditors’ report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with relevant financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;
- reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the SGX-ST Listing Manual, before submission to the Board for approval;
- reviewing and discussing with the external and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group’s operating results or financial position and the Management’s response;
- reviewing the co-operation given by the Management to the external auditors;
- reviewing the independence of the external auditors annually;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually;
- reviewing and approving interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company’s internal controls, including financial, operational, compliance and information technology controls, and risk management; and
- reviewing the procedures by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

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 functions properly.

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

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

For FY2014, the fees paid by the Company to the external auditors for audit services and non-audit services amounted to RMB 970,753 and RMB16,031, respectively. The AC has reviewed all non-audit services provided by the external auditors and is of the opinion that these non-audit services would not affect the independence and objectivity of the external auditors. The AC has recommended to the Board the re-appointment of Mazars LLP Singapore as the external auditors of the Group at the forthcoming AGM.

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

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimisation 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 Audit
Principle 13: The company should establish an effective internal audit function that is adequately resourced and 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 Group's assets. An in-house internal audit team, comprising persons with the relevant qualifications and experience, has been formed to perform the internal audit function. The internal audit team reports primarily to the AC Chairman. The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The 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 and effectiveness of the Company's internal audit function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES
Shareholder Rights
Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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

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

The Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote 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.

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

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, 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. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

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. Given the attendance level at the Company's general meetings, the Board is of the view that it is not necessary nor cost-effective to put all resolutions to vote by poll and announce the detailed results.

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.

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 FY2014, are as follows:

Name of interested person	Aggregate value of all transactions during FY2014 (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	-
Rental expenses paid to Fushun Luzhou Amylum Sugar Products Co., Ltd.	250	-

Material Contracts and Loans

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that except as disclosed in the 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 FY2014 or if not then subsisting, which were entered into since the end of FY2013.

Financial Contents

Report of the Directors

The directors of Luzhou Bio-Chem Technology Limited (the "Company") present their report to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1. Directors

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

Executive directors
Niu Ji Xing
Gao Zhong Fa
Wang De You

Independent non-executive directors
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 the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. Directors' Interests in shares or debentures

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

	Direct interest		Deemed interest	
Name of director	**At beginning of the financial year**	**At end of the financial year**	**At beginning of the financial year**	**At end of the financial year**
LUZHOU BIO-CHEM TECHNOLOGY LIMITED (No. or ordinary shares)				
Niu Ji Xing	3,900,000[(2)]	3,900,000[(2)]	157,950,000[(1)]	157,950,000[(1)]
Gao Zhong Fa	15,200,000	15,200,000	-	-
Wang De You	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.

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 2015.

4. **Directors' contractual benefits**

Since the end of the last financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under 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 by the Company or its subsidiaries during the financial year.

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

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

6. **Audit Committee**

The Audit Committee of the Company comprises three independent directors and at the date of this report are:

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

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

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Act.

In performing those functions, the Audit Committee review:

(i) the audit plan and results of the external audit, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) Nomination of external auditors and approval of their compensation; and

(ix) Submission of report of actions and minutes of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

6. Audit Committee (Cont'd)

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

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

7. Auditors

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

On behalf of the directors

Niu Ji Xing Director	**Wang De You** Director

Singapore
24 March 2015

Statement by Directors

In the opinion of the directors:

(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 2014, 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

Singapore
24 March 2015

Independent Auditors' Report

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 (the "Group") which comprise the statements of the financial position of the Group and the Company as at 31 December 2014, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and 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 40 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 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company 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
Chartered Accountants

Singapore
24 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	4	**2,074,912**	3,009,384
Cost of sales		**(1,981,850)**	(2,813,673)
Gross profit		**93,062**	195,711
Other item of income			
Other operating income	5	**29,430**	33,564
Other items of expenses			
Selling and distribution expenses		**(109,530)**	(135,021)
Administrative expenses		**(140,793)**	(137,675)
Other operating expenses		**(154,001)**	(14,825)
Finance expenses	6	**(57,952)**	(52,341)
Loss before taxation	7	**(339,784)**	(110,587)
Income tax expense	9	-	(3,170)
Loss for the financial year, representing total comprehensive loss for the financial year		**(339,784)**	(113,757)
Attributable to:			
Owners of the Company		**(339,784)**	(113,757)
Loss per share attributable to the owners of the Company (RMB cents per share):			
Basic and diluted	10	**(85.8)**	(28.7)

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 2014

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current assets					
Property, plant and equipment	11 (i)	**691,967**	907,214	**-**	68
Land use rights	11 (ii)	**46,834**	48,256	**-**	-
Investments in subsidiaries	12	**-**	-	**372,654**	372,654
		738,801	955,470	**372,654**	372,722
Current assets					
Inventories	13	**238,894**	273,170	**-**	-
Trade receivables	14	**179,354**	191,700	**-**	-
Other receivables, deposits and prepayments	15	**28,272**	84,333	**10,786**	807
Income tax recoverable		**886**	-	**-**	-
Cash and cash equivalents	16	**54,618**	66,695	**5,334**	3,867
		502,024	615,898	**16,120**	4,674
Total assets		**1,240,825**	1,571,368	**388,774**	377,396
Equity attributable to owners of the Company					
Share capital	17	**282,820**	282,820	**282,820**	282,820
Statutory reserve	18	**90,893**	90,893	**-**	-
Accumulated (losses)/profits		**(301,493)**	38,289	**88,687**	78,146
Total equity		**72,220**	412,002	**371,507**	360,966
Non-current liabilities					
Interest-bearing liabilities	20	**567,400**	562,350	**-**	-
Interest-free loan from a director	25	**9,841**	-	**9,841**	-
Deferred income	21	**40,327**	43,679	**-**	-
Deferred taxation	22	**589**	589	**-**	-
		618,157	606,618	**9,841**	-
Current liabilities					
Trade payables	23	**217,420**	215,067	**-**	-
Other payables	24	**102,123**	109,021	**820**	754
Deferred income	21	**6,080**	7,364	**-**	-
Amount owing to a related party	19	**825**	2,520	**-**	-
Amount owing to subsidiaries	19	**-**	-	**6,606**	4,374
Interest-free loan from a director	25	**-**	11,302	**-**	11,302
Interest-bearing liabilities	20	**224,000**	207,000	**-**	-
Income tax payable		**-**	474	**-**	-
		550,448	552,748	**7,426**	16,430
Total liabilities		**1,168,605**	1,159,366	**17,267**	16,430
Total equity and liabilities		**1,240,825**	1,571,368	**388,774**	377,396

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 2014

	Share capital	Statutory reserve	Accumulated profits/(losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 1 January 2013	282,820	87,930	164,752	535,502
Total comprehensive loss for the financial year	-	-	(113,757)	(113,757)
Dividend paid (Note 26)	-	-	(9,743)	(9,743)
Transfer to statutory reserves	-	2,963	(2,963)	-
At 31 December 2013	282,820	90,893	38,289	412,002
Total comprehensive loss for the financial year	-	-	(339,784)	(339,784)
Refund of unclaimed dividend	-	-	2	2
At 31 December 2014	282,820	90,893	(301,493)	72,220

	Share capital	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000
Company			
At 1 January 2013	282,820	83,306	366,126
Total comprehensive income for the financial year	-	4,583	4,583
Dividend paid (Note 26)	-	(9,743)	(9,743)
At 31 December 2013	282,820	78,146	360,966
Total comprehensive income for the financial year	-	10,539	10,539
Refund of unclaimed dividend	-	2	2
At 31 December 2014	282,820	88,687	371,507

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 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before taxation		**(339,784)**	(110,587)
Adjustments for:			
Depreciation of property, plant and equipment	11(i)	**90,241**	105,501
Amortisation of land use rights	11(ii)	**1,422**	1,359
Amortisation of government grant	21	**(7,636)**	(7,364)
Loss/(Gain) on disposal of property, plant and equipment		**8,221**	(920)
Impairment loss on property, plant and equipment		**137,487**	-
Interest expense	6	**57,952**	52,341
Interest income	5	**(540)**	(691)
(Reversal of write-down) /Write-down of inventories	13	**(249)**	4,248
Allowance for doubtful trade receivables	14	**2,825**	-
Reversal of allowances for doubtful trade receivables	14	**(2,644)**	(262)
Operating cash flows before movements in working capital		**(52,705)**	43,625
Movements in working capital			
Inventories		**34,525**	25,884
Trade receivables		**12,165**	54,923
Other receivables, deposits and prepayments		**24,570**	(9,171)
Trade payables		**2,353**	(61,544)
Other payables		**(6,898)**	(47,758)
Amount owing to a related party		**-**	(35,272)
Cash generated from/(used in) operations		**14,010**	(29,313)
Income taxes paid		**(1,360)**	(4,509)
Net cash generated from/(used in) operating activities		**12,650**	(33,822)
Investing activities			
Purchase of property, plant and equipment	11(i)	**(32,285)**	(49,216)
Proceeds from disposal of property, plant and equipment		**11,583**	21,824
Interest income received		**540**	691
Proceeds from government grant		**34,491**	10,000
Increase in pledged cash deposits		**(3,550)**	(450)
Net cash generated from/(used in) investing activities		**10,779**	(17,151)
Financing activities			
Partial payment for acquisition of non-controlling interests		**-**	(6,000)
Refund/(Payment) of dividend		**2**	(9,743)
Interest expense paid		**(57,952)**	(52,341)
Amount owing to a related party		**(1,695)**	(2,520)
Proceeds from interest-free loans from a director		**-**	11,302
Repayment of interest-free loans from a director		**(1,461)**	-
Proceeds from interest-bearing loans and borrowings		**1,006,400**	869,350
Repayment of interest-bearing loans and borrowings		**(984,350)**	(812,350)
Net cash used in financing activities		**(39,056)**	(2,302)
Net decrease in cash and cash equivalents		**(15,627)**	(53,275)
Cash and cash equivalents at beginning of financial year		**66,245**	119,520
Cash and cash equivalents at end of financial year	16	**50,618**	66,245

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

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1. General

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

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

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

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue by the board of directors on 24 March 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("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 and statement of changes in equity of the Company are presented in Renminbi ("RMB") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

For the financial year ended 31 December 2014, the Group's current liabilities exceeded its current assets by approximately RMB 48,424,000 as well as continuing loss from its operation. Current liabilities comprise mainly current interest bearing bank loans. The directors are of opinion that based on the Group's expected profitability and positive prospects, its positive operational cash flow and support from bankers and creditors, the use of going concern basis in the preparation and presentation of the Group's financial statements is appropriate.

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 did 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.

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

2.1 Basis of preparation (Cont'd)

FRS and INT FRS issued but not yet effective

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)
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 19	Amendments to FRS 19: Defined Employee Plans: Employee Contributions	1 July 2014
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interest in Joint Operations	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
Various	Improvements to FRSs (January 2014)	Various
Various	Improvements to FRSs (February 2014)	Various
Various	Improvements to FRSs (November 2014)	Various

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

The management anticipates that the adoption of the above FRS and INT FRS in future period will have no material impact of the financial statements, and in particular, to the financial position and financial performance, of the Group and the Company in the period of their initial application.

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) (i) over which the Group has the power and the Group is (ii) able to use such power to (iii) affect the exposure, or rights, to variable returns from through its involvement with them.

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

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

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

Intra-group 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*.

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

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 *Business Combinations* ("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* ("FRS 105"), 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 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.

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

2.3 Business combinations (Cont'd)

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.

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.

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.

(iii) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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.

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.

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.

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.

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

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.

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

2.9 Property, plant and equipment (Cont'd)

The depreciation method, estimated 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.

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

2.10 Inventories

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

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

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

2.11 Land use rights and intangible assets

Land use rights

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

Research and development

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, any 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. Summary of significant accounting policies (Cont'd)

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.

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 as 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.

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

2.13 Financial instruments (Cont'd)

Financial assets (Cont'd)

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

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.

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.

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

2.13 Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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 and interest free loan from a director

Trade and other payables, amount owing to a related party and interest free loan from a director 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 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.

2.14 Cash and cash equivalents

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

2.15 Leases

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.

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

2.16 Provisions

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

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

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

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

2.17 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

2.18 Government grants

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

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

2.19 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Impairment of 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 tangible asset, are given in Note 11(i) to the financial statements.

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

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 total carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2014 were RMB 207,626,000 (2013: RMB 276,033,000) and RMB 10,786,000 (2013: RMB 807,000) 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 2014 were RMB 691,967,000 (2013: RMB 907,214,000) and RMB Nil (2013: RMB 68,000) respectively.

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 indication of impairment, 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, using a suitable discount rate in order to calculate the present value of those cash flows. No impairment was recognised during the financial year. The carrying amount of the Company's investment in subsidiaries as at 31 December 2014 was RMB 372,654,000 (2013: RMB 372,654,000).

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 RMB 238,894,000 (2013: RMB 273,170,000). There was an allowance for RMB 3,141,000 (2013: RMB 4,248,000) made on inventory for the financial year.

Provision for income taxes

The Group has exposure to income taxes in different jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current tax payable as at 31 December 2014 were RMB Nil (2013: RMB 474,000) and RMB Nil (2013: RMB Nil) respectively.

4. Revenue

	Group	
	2014 RMB'000	**2013 RMB'000**
Sale of goods	**2,074,912**	3,009,384

5. Other operating income

	Group	
	2014 RMB'000	**2013 RMB'000**
Gain on sale of consumables and waste materials	**11,177**	10,638
Gain on disposal of property, plant and equipment	**-**	920
Government grant and subsidies	**6,362**	7,461
Amortisation of government grant (Note 21)	**7,636**	7,364
Interest income from banks	**540**	691
Income from penalties imposed on suppliers	**1,703**	1,101
Others	**2,012**	5,389
	29,430	33,564

Government grants relate to monetary incentives received from government agencies in PRC 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	
	2014 RMB'000	**2013 RMB'000**
Interest expense on trade financing	**305**	300
Interest expense on bank loans	**57,556**	52,039
Interest expense – others	**91**	2
	57,952	52,341

7. Loss before taxation

	Group	
	2014 **RMB'000**	**2013** **RMB'000**
Loss before taxation is arrived at after charging/(crediting):		
Audit fees to auditors of the Company	**971**	990
Non-audit fees paid to auditors of the Company	**16**	15
Total fees paid to auditors of the Company	**987**	1,005
Cost of inventories included in cost of sales	**1,981,850**	2,813,673
Directors' remuneration (Note 8)	**4,450**	4,474
Directors' fee (Note 8)	**830**	793
Foreign currencies exchange loss, net	**588**	472
Operating lease expenses	**8,055**	7,561
Research and development expenses	**1,671**	2,004
Impairment loss on property, plant and equipment	**137,487**	-
Loss/(Gain) on disposal of property, plant and equipment	**8,221**	(920)
Allowance/(Reversal of allowance) for doubtful trade receivables	**181**	(262)
Staff costs (excluding directors' remuneration) (Note 8)	**145,850**	161,356
Utilities charges	**23,370**	39,107
Transportation costs	**67,723**	85,045

Depreciation of property, plant and equipment totalling RMB 49,448,000 (2013: RMB 65,108,000) is recognised as an expense in the cost of sales.

8. Staff costs

	Group	
	2014 **RMB'000**	**2013** **RMB'000**
Salaries and bonuses	**116,582**	131,410
Contribution to defined contribution plan	**21,767**	23,020
Other staff related costs	**7,501**	6,926
	145,850	161,356

Staff costs totalling RMB 79,784,000 (2013: RMB 93,110,000) were recognised as an expense in the cost of sales.

Compensation of key management personnel

	Group	
	2014 **RMB'000**	**2013** **RMB'000**
Directors of the Company		
Short-term employee benefits		
- Salaries	**4,440**	4,447
- Directors' fee	**830**	793
- Others	**10**	27
	5,280	5,267

9. Income tax expense

	Group	
	2014 RMB'000	**2013 RMB'000**
Current tax		
Current year	-	3,170

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

	Group	
	2014 RMB'000	**2013 RMB'000**
Loss before taxation	**(339,784)**	(110,587)
Tax at the applicable rate of 25%	**(84,946)**	(27,647)
Tax exemption	-	(489)
Effect of different tax rate of Singapore company	**(843)**	(367)
Non-deductible expenses	**10,399**	7,261
Deferred tax assets arising in current year not recognised	**75,390**	26,613
Utilisation of deferred tax assets not recognised	-	(2,201)
Total tax expense	-	3,170

The prevailing tax rate of the subsidiaries residing in the PRC is 25% (2013: 25%). Certain subsidiaries has enjoyed low income tax rate of 15% on the income tax payable due to special tax incentives given to high technology enterprises (the "Tax credit"). The validity period of Tax credit is three years, and is available for application upon expiry.

Deferred tax assets not recognised

	Group	
	2014 RMB'000	**2013 RMB'000**
Unutilised tax losses	**79,198**	34,998
Unutilised capital allowances	**34,372**	-
Others	**(1,744)**	1,438
	111,826	36,436

At the reporting date, certain subsidiaries in the Group have unutilised tax losses and unutilised capital allowances amounted to RMB 316,794,000 (2013: RMB139,992,000) and RMB 137,487,000 (2013: RMB Nil) respectively which can be carried forward and used to offset against future taxable income, subject to meeting certain statutory requirements by those companies with unrecognised tax losses and unutilised capital allowances in their respective countries of incorporation. These tax losses 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.

10. Loss per share

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

	Group	
	2014	**2013**
Basic and diluted loss per share is based on:		
- Loss for the financial year attributable to ordinary shareholders (RMB '000)	**(339,784)**	(113,757)
Weighted average number of ordinary shares (in thousands)	**396,000**	396,000
Loss per share (RMB cents)	**(85.8)**	(28.7)

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 2013	340,227	1,058,462	42,477	14,413	377	11,481	1,467,437
Additions	6,155	24,177	1,704	178	-	17,002	49,216
Disposals	(147)	(17,398)	(56)	(402)	(152)	(8,702)	(26,857)
Reclassifications	1,551	6,423	28	-	-	(8,002)	-
At 31 December 2013	347,786	1,071,664	44,153	14,189	225	11,779	1,489,796
At 1 January 2014	347,786	1,071,664	44,153	14,189	225	11,779	1,489,796
Additions	1,205	11,323	954	958	-	17,845	32,285
Disposals	(1,765)	(26,341)	(2,467)	(1,366)	-	(3,026)	(34,965)
Reclassifications	4,275	4,152	9	118	-	(8,554)	-
At 31 December 2014	351,501	1,060,798	42,649	13,899	225	18,044	1,487,116

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							
Accumulated depreciation and impairment loss							
At 1 January 2013	59,211	379,805	32,136	11,649	233	-	483,034
Depreciation for the financial year	16,420	84,953	3,176	876	76	-	105,501
Disposals	-	(5,352)	(37)	(412)	(152)	-	(5,953)
At 31 December 2013	75,631	459,406	35,275	12,113	157	-	582,582
At 1 January 2014	75,631	459,406	35,275	12,113	157	-	582,582
Depreciation for the financial year	15,258	71,417	2,721	777	68	-	90,241
Disposals	(8)	(11,739)	(2,223)	(1,191)	-	-	(15,161)
Impairment loss	27,695	109,792	-	-	-	-	137,487
At 31 December 2014	118,576	628,876	35,773	11,699	225	-	795,149
Carrying amount							
At 31 December 2014	232,925	431,922	6,876	2,200	-	18,044	691,967
At 31 December 2013	272,155	612,258	8,878	2,076	68	11,779	907,214

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 2013, 31 December 2013 and 31 December 2014	24	224	248
Accumulated depreciation			
At 1 January 2013	23	80	103
Depreciation for the financial year	1	76	77
At 31 December 2013	24	156	180
Depreciation for the financial year	-	68	68
At 31 December 2014	24	224	248
Carrying amount			
At 31 December 2014	-	-	-
At 31 December 2013	-	68	68

During the financial year, the Group carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to its impairment indication. Based on the review, an impairment loss of RMB 137,487,000 (2013: RMB Nil) is recognised in other operating expense. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use based on the weighted average cost of capital was 7.5% (2013: 6.55%).

As at the reporting date, property, plant and equipment with carrying amount of RMB 315,178,000 (2013: RMB 441,158,000) have been pledged to secure the Group's interest-bearing loans and borrowings as disclosed in Note 20.

There is no property, plant and equipment held under finance leases at the reporting date.

Sensitivity analysis

The management has estimated that when the estimated discounted rate applied to the discounted cash flow had been 8.5% instead of 7.5%, there is no significant impact to the carrying amount of the property, plant and equipment.

11 (ii). Land use rights

	Group	
	2014 **RMB'000**	**2013** **RMB'000**
Cost		
At 1 January and 31 December	**52,928**	52,928
Accumulated amortisation		
At 1 January	**4,672**	3,313
Amortisation for the financial year	**1,422**	1,359
At 31 December	**6,094**	4,672
Carrying amount		
At 31 December	**46,834**	48,256
Amounts to be amortised		
Not later than one year	**1,422**	1,359
Later than one year but not later than five years	**5,690**	5,942
Later than five years	**39,722**	40,955
	46,834	48,256

(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 RMB 46,834,000 (2013: RMB 48,256,000) has been pledged to interest bearing loans of the Group (Note 20).

12. Investments in subsidiaries

	Company	
	2014 RMB'000	2013 RMB'000
Unquoted equity shares, at cost	**372,654**	372,654

No impairment is required for both financial year ended 31 December 2014 and 2013 based on management's assessment which is based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period.

The key assumptions used for value-in-use calculations are as follows:

(i) The anticipated annual revenue growth used for cash flow projections beyond the five-year period was extrapolated is 3% (2013: 1%); and

(ii) The pre-tax discount rate of 7.5% (2013: 6.55%) had been used as the weighted average cost of capital ("WACC")

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources (historical data).

Sensitivity analysis

The management has estimated that when the estimated discounted rate applied to the discounted cash flow had been 8.5% instead of 7.5%, or the projected growth rate on the projected growth rate had been 1% instead of 3%, there is no significant impact to the carrying amount of the investment in subsidiaries.

12. Investments in subsidiaries (Cont'd)

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	
			2014	**2013**	**2014**	**2013**
鲁洲生物科技(山东)有限公司 (Luzhou Bio-chem Technology (Shandong) Co., Ltd.) [(1) (2)]	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	**US$25,300,000 (RMB189,341,000)**	US$25,300,000 (RMB189,341,000)	**100**	100
鲁洲生物科技(辽宁)有限公司 (Luzhou Bio-chem Technology (Liaoning) Co., Ltd.) [(1)]	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	**US$2,000,000 (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.) [(1)]	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.) [(1)]	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**	100
鲁洲生物科技(河南)有限公司 (Luzhou Bio-chem Technology (Henan) Co., Ltd.) [(1)]	Production and distribution of sweeteners, corn starch and by-products of corn starch	People's Republic of China	**US$11,000,000 (RMB82,323,000)**	US$11,000,000 (RMB82,323,000)	**100**	100
山东泓洲化工机械有限公司 (Shandong Hongzhou Chemical Equipment Co., Ltd.) [(1)]	Provision of engineering services and construction of industrial machinery and equipment	People's Republic of China	**US$375,000 (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.) [(1)]	Production and sale of amino acids	People's Republic of China	**-**	-	**100**	100
			RMB372,654,000	RMB372,654,000		

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

(2) The subsidiary has three branch offices: Beijing 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.

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

13. Inventories

	Group	
	2014 RMB'000	2013 RMB'000
Raw materials	**139,943**	157,381
Work-in-progress	**14,353**	13,595
Finished goods	**83,323**	99,873
Packaging materials and consumables	**1,275**	2,321
	238,894	273,170

Inventories recognised as an expense:

Inventories written-down	**3,141**	4,248
Reversal of write-down of inventories	**(3,390)**	-
	(249)	4,248

14. Trade receivables

	Group	
	2014 RMB'000	2013 RMB'000
Trade receivables	**135,487**	167,913
Bills receivables	**27,250**	9,049
Value-added tax recoverables	**20,358**	18,298
	183,095	195,260
Allowances for doubtful trade receivables	**(3,741)**	(3,560)
	179,354	191,700

Movement in allowances for doubtful trade receivables are as follow:

At 1 January	**(3,560)**	(3,822)
Allowance charged to profit or loss	**(2,825)**	-
Reversal of allowances	**2,644**	262
At 31 December	**(3,741)**	(3,560)

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

14. Trade receivables (Cont'd)

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

	Group	
	2014 RMB'000	2013 RMB'000
RMB	**174,827**	180,328
United States dollar ("USD" or "US$")	**4,527**	11,372
	179,354	191,700

Trade receivables are non-interest bearing and generally on 30 days (2013: 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 4 months (2013: 4 months) as at the financial year end. These bills receivables are transferable.

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

15. Other receivables, deposits and prepayments

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Other receivables	**7,355**	16,493	**35**	56
Government compensations	**-**	31,491	**-**	-
Advances paid to suppliers	**8,515**	20,587	**-**	-
	15,870	68,571	**35**	56
Prepayments	**12,402**	15,762	**-**	-
Dividends receivable from subsidiaries	**-**	-	**10,751**	751
	28,272	84,333	**10,786**	807

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 RMB, unsecured, interest-free and are repayable on demand.

The government compensations were the remaining amount of the government grant for relocation of the plant of Luzhou Bio-Chem Technology (Liaoning) Co., Ltd by the local government and the outstanding amount of RMB 31,491,000 has been fully received during current financial year (2013: RMB 10,000,000).

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

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	
	2014 RMB'000	**2013 RMB'000**	**2014 RMB'000**	**2013 RMB'000**
RMB	**28,237**	84,277	**10,751**	751
Singapore dollar ("SGD" or "S$")	**35**	56	**35**	56
	28,272	84,333	**10,786**	807

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

16. Cash and cash equivalents

	Group		Company	
	2014 RMB'000	**2013 RMB'000**	**2014 RMB'000**	**2013 RMB'000**
Cash at banks and in hand	**50,618**	66,245	**5,334**	3,867
Bank deposits	**4,000**	450	**-**	-
	54,618	66,695	**5,334**	3,867

Cash at banks earn interest at floating rates based on daily bank deposits rates. The effective interest rate earned for the financial year was 0.9% (2013: 0.7%) per annum for cash at banks and 2.9% (2013: 2.8%) for pledged cash deposits.

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

	Group	
	2014 RMB'000	**2013 RMB'000**
Cash at banks and in hand	**54,618**	66,695
Bank deposits pledged	**(4,000)**	(450)
Cash and cash equivalents per consolidated statement of cash flows	**50,618**	66,245

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

	Group		Company	
	2014 RMB'000	**2013 RMB'000**	**2014 RMB'000**	**2013 RMB'000**
RMB	**49,284**	62,828	**-**	-
SGD	**5,334**	3,867	**5,334**	3,867
	54,618	66,695	**5,334**	3,867

17. Share capital

	Group and Company	
	2014 RMB'000	2013 RMB'000
Fully paid ordinary shares at the beginning and end of financial 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.

18. Statutory reserve

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

19. Amount owing to a related party/subsidiaries

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

The amount owing to a related party and subsidiaries is denominated in RMB.

20. Interest-bearing liabilities

	Group	
	2014 RMB'000	**2013 RMB'000**
Loans and borrowings		
Non-current		
- Secured	**259,000**	314,350
- Unsecured	**308,400**	248,000
Total non-current	**567,400**	562,350
Current		
- Secured	**45,000**	62,000
- Unsecured	**179,000**	145,000
Total current	**224,000**	207,000
Total loans and borrowings	**791,400**	769,350

Maturity of interest-bearing loans and borrowings

	Group	
	2014 RMB'000	**2013 RMB'000**
Within one year	**224,000**	207,000
After one year but within two years	**567,400**	562,350
Total interest-bearing loans and borrowings	**791,400**	769,350

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

(i) pledge of certain property, plant and equipment of the Group (Note 11(i));

(ii) pledge of certain land use rights (Note 11(ii)(b));

(iii) pledge of properties and land use rights owned by related parties;

(iv) corporate guarantee given by related parties;

(v) corporate guarantee given by third parties; and

(vi) pledge of cash deposit of the Group.

The loan and borrowings are denominated in RMB and bears interest at the effective interest rate of 6.76% (2013: 6.54%) per annum.

21. Deferred income

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

	Group	
	2014 RMB'000	2013 RMB'000
Cost		
At 1 January	**68,617**	68,617
Additions	**3,000**	-
At 31 December	**71,617**	68,617
Accumulated amortisation		
At 1 January	**17,574**	10,210
Amortisation for the financial year	**7,636**	7,364
At 31 December	**25,210**	17,574
Carrying amount		
At 31 December	**46,407**	51,043
Amortisation due within:		
Next twelve months - current portion	**6,080**	7,364
More than twelve months - non-current portion	**40,327**	43,679
	46,407	51,043

During the financial year, the Group has received additional government grant of RMB 3,000,000 relating to the relocation of the plant of Luzhou Bio-Chem Technology (Liaoning) Co., Ltd.

22. Deferred taxation

	Group	
	2014 RMB'000	2013 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 100,500,000 (2013: RMB 165,800,000). No liability has been recognised in respect of these differences as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future.

23. Trade payables

Trade payables are denominated in RMB, non-interest bearing and are normally settled within 30 days (2013: 30 days).

24. Other payables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Other payables	**23,713**	25,579	**-**	-
Deposits from customers	**3,404**	4,042	**-**	-
Payables for construction of property, plant and equipment	**2,009**	5,946	**-**	-
Retention money owing to contractors and suppliers	**10,741**	15,438	**-**	-
Accrued operating expenses	**43,557**	35,839	**820**	754
Advances from customers	**16,723**	20,296	**-**	-
Other tax payables	**1,976**	1,881	**-**	-
	102,123	109,021	**820**	754

Other payables and accruals are non-interest bearing and have an average repayment term of 6 months (2013: 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RMB	**101,303**	108,267	**-**	-
SGD	**820**	754	**820**	754
	102,123	109,021	**820**	754

25. Interest-free loan from a director

	Group and Company	
	2014 RMB'000	2013 RMB'000
- Within one year	**-**	11,302
- After one year but within two years	**9,841**	-
	9,841	11,302

The loan from a director is non-trade in nature, unsecured and interest-free.

26. Dividends

During the financial year ended 31 December 2013, the Company declared and paid a final tax exempt dividend of S$0.005 per ordinary share of the Company totaling RMB 9,743,000 in respect of the financial year ended 31 December 2012.

No dividend was paid or proposed for the financial year ended 31 December 2014.

Singapore Exchange has refunded RMB 2,000 of unclaimed cash dividend for more than six years to the Group in current financial year (2013: RMB Nil).

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	
	2014 RMB'000	**2013 RMB'000**
- Commitments in respect of the construction of plant and equipment	**7,410**	-

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 equipments, manufacturing and office premises:

	Group	
	2014 RMB'000	**2013 RMB'000**
Within one year	**5,600**	5,597
After one year but within five years	**5,300**	10,650
	10,900	16,247

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

28. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is affiliated to the Group and the Company if any of the following conditions applies:

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

The effect of the Group's and the Company's transactions and arrangements with related parties is affected in the financial statements.

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

	Group	
	2014 RMB'000	**2013 RMB'000**
Transactions with parties in which a director has substantial interest:		
- Operating lease expenses	**5,450**	5,200

In 2014, addition to the above transaction, a director had provided interest-free loan amounting RMB 9,841,000 to the Group and the Company (2013: RMB 11,302,000).

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.

29. Segment information (Cont'd)

	Corn refining RMB'000	Animal feeds RMB'000	Others RMB'000	Corporate RMB'000	Eliminations RMB'000	Notes	Group RMB'000
2014							
Revenue:							
External customers	1,860,105	204,160	10,647	-	-		2,074,912
Inter-segment sales	52,181	-	4,467	-	(56,648)	A	-
Total revenue	1,912,286	204,160	15,114	-	(56,648)		2,074,912
Results:							
Segment loss before taxation	(251,106)	(4,514)	(19,392)	(9,460)	(55,312)	B	(339,784)
Interest income from banks	529	9	2	-	-		540
Interest expense	(57,937)	(11)	(3)	(1)	-		(57,952)
Depreciation of property, plant and equipment	(89,458)	(898)	(1,558)	(68)	1,741	C	(90,241)
Amortisation of land use rights	(1,422)	-	-	-	-		(1,422)
Impairment loss on property, plant and equipment	(124,164)	-	(13,323)	-	-		(137,487)
Other non-cash expenses	7,133	-	571	-	-	D	7,704
Assets:							
Segment assets	1,202,856	22,708	22,157	5,370	(12,266)	E	1,240,825
Additions to non-current assets	32,215	67	3	-	-	F	32,285
Liabilities:							
Segment liabilities	1,139,165	13,458	4,732	10,661	589	G	1,168,605
2013							
Revenue:							
External customers	2,616,952	359,652	32,780	-	-		3,009,384
Inter-segment sales	55,670	-	5,586	-	(61,256)	A	-
Total revenue	2,672,622	359,652	38,366	-	(61,256)		3,009,384
Results:							
Segment (loss)/profit before taxation	(39,653)	1,953	(8,494)	(13,415)	(50,978)	B	(110,587)
Income tax expense	(3,170)	-	-	-	-		(3,170)
Interest income from banks	669	18	4	-	-		691
Interest expense	(52,320)	(14)	(5)	(2)	-		(52,341)
Depreciation of property, plant and equipment	(103,111)	(1,046)	(2,929)	(78)	1,663	C	(105,501)
Amortisation of land use rights	(1,359)	-	-	-	-		(1,359)
Other non-cash (expenses)/income	4,864	-	(1,486)	-	-	D	3,378
Assets:							
Segment assets	1,503,616	30,845	47,282	3,991	(14,366)	E	1,571,368
Additions to non-current assets	49,092	47	77	-	-	F	49,216
Liabilities:							
Segment liabilities	1,123,260	16,098	7,363	12,056	589	G	1,159,366

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

	2014 RMB'000	2013 RMB'000
Profit from inter-segment sales	**2,100**	672
Finance costs net of interest income	**(57,412)**	(51,650)
Total	**(55,312)**	(50,978)

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

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

	2014 RMB'000	2013 RMB'000
Amortisation of government grant	**7,636**	7,364
Reversal/(Addition) of write-down of inventories, net	**249**	(4,248)
(Addition)/Reversal of allowance for doubtful trade receivables, net	**(181)**	262
	7,704	3,378

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

	2014 RMB'000	2013 RMB'000
Inter-segment assets	**(12,266)**	(14,366)

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:

	2014 RMB'000	2013 RMB'000
Deferred tax liabilities	**589**	589

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	
	2014 RMB'000	**2013 RMB'000**
Segment revenue by location of customers		
- PRC	**1,973,106**	2,859,356
- Overseas	**101,806**	150,028
	2,074,912	3,009,384
Capital expenditures by geographical location of assets		
- PRC	**32,285**	49,216
Segment assets by geographical location of assets		
- PRC	**1,235,455**	1,567,377
- Overseas	**5,370**	3,991
	1,240,825	1,571,368

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.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2014 RMB'000	**2013 RMB'000**	**2014 RMB'000**	**2013 RMB'000**
Financial assets				
Trade receivables	**179,354**	191,700	**-**	-
Other receivables and deposits	**15,870**	68,571	**10,786**	807
Cash and cash equivalents	**54,618**	66,695	**5,334**	3,867
Loans and receivables	**249,842**	326,966	**16,120**	4,674
Financial liabilities				
Interest-bearing liabilities	**791,400**	769,350	**-**	-
Interest-free loan from a director	**9,841**	11,302	**9,841**	11,302
Amount owing to a related party	**825**	2,520	**-**	-
Amount owing to subsidiaries	**-**	-	**6,606**	4,374
Trade payables	**217,420**	215,067	**-**	-
Other payables	**102,123**	109,021	**820**	754
Financial liabilities at amortised cost	**1,121,609**	1,107,260	**17,267**	16,430

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

Credit risk

The credit risk of the Group's financial assets, which comprise cash and bank balances, 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.

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

	2014		**2013**	
	Gross receivables	**Allowances for doubtful debt**	**Gross receivables**	**Allowances for doubtful debt**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Group				
Within 30 days	**141,852**	**-**	151,188	-
Past due 31 - 90 days	**32,333**	**-**	26,417	-
Past due 91- 180 days	**2,884**	**(88)**	6,327	(477)
Past due 181 - 365 days	**1,134**	**(795)**	8,341	(725)
More than one year	**4,892**	**(2,858)**	2,987	(2,358)
	183,095	**(3,741)**	195,260	(3,560)

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.

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

Liquidity risk (Cont'd)

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

	2014			2013		
	One year or less	One to two years	Total	One year or less	One to two years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Financial assets:						
Trade and other receivables	**195,224**	**-**	**195,224**	260,271	-	260,271
Cash and cash equivalents	**54,618**	**-**	**54,618**	66,695	-	66,695
Total undiscounted financial assets	**249,842**	**-**	**249,842**	326,966	-	326,966
Financial liabilities:						
Interest-bearing loans and borrowings	**239,138**	**644,091**	**883,229**	220,529	635,856	856,385
Interest-free loan from a director	**-**	**9,841**	**9,841**	11,302	-	11,302
Trade and other payables	**319,543**	**-**	**319,543**	324,088	-	324,088
Amounts owing to a related party	**825**	**-**	**825**	2,520	-	2,520
Total undiscounted financial liabilities	**559,506**	**653,932**	**1,213,438**	558,439	635,856	1,194,295
Total net undiscounted financial liabilities	**(309,664)**	**(653,932)**	**(963,596)**	(231,473)	(635,856)	(867,329)

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 accessed to interest-bearing loans and borrowings from financial institutions which is disclosed in Note 20.

The Company's financial assets and financial liabilities as of the reporting date are receivable and payable within the next 12 months, except for the interest-free loan from a director which will be expected to be repaid before the expiration date.

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.

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

Interest rate risk

The Group's interest rate risk relates to interest-bearing borrowings which comprise borrowings from banks. The Group monitors its funding requirement and the changes in interest rates to ensure that interest payables are within acceptable level. The Group'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 one year	After one to two years	Total
	RMB'000	RMB'000	RMB'000
2014			
Fixed rate			
Interest-bearing loans and borrowings	**224,000**	**567,400**	**791,400**
2013			
Fixed rate			
Interest-bearing loans and borrowings	207,000	562,350	769,350

The fixed rate interest-bearing loans and borrowings bear interest at rates ranging from 5.5% to 7.5% (2013: 5.70% to 9.00%) 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 subject to interest rate risk.

The Group's policy is to obtain the most favourable interest rate available for its borrowings. Information relating to the Group's interest rate exposure is disclosed in Note 20. As the Group does not have any floating rate loans and borrowings, they are not exposed to significant interest rate risk.

Foreign currency risk

The Group transacts business in various foreign currencies, mainly USD and SGD, other than the respective functional currencies of the Group's entities, and hence is exposed to foreign currency risks.

The Group does not use derivative financial instruments to hedge its foreign currency risk.

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 approximately RMB 500,000 lower (2013: RMB 1,100,000 lower), mainly as a result of foreign exchange loss on translation of USD currency denominated trade receivables. A 10% strengthening against the RMB would have equal but opposite effect.

At the balance sheet date, if the S$ were strengthen 10% against the RMB, with all variable held constant, the Group's pre-tax profit for the year would have been RMB 0.5 million higher (2013: RMB 0.4 million lower), mainly as a result of foreign exchange gains on translation of S$ denominated bank deposit. A 10% weaken against the RMB would have equal but opposite effect.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rate. At the reporting date, the Group is subject to insignificant risk on USD and SGD denominated balances.

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 (losses)/profits.

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

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:

	2014 RMB'000	2013 RMB'000
Total borrowings	**801,241**	781,102
Less: cash and cash equivalents	**(54,618)**	(66,695)
Net debt	**746,623**	714,407
Total equity	**72,220**	412,002
Total capital	**818,843**	1,126,409
Gearing ratio	**0.91**	0.63

As disclosed in Note 18, the subsidiaries of the Group in PRC is required by Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial year ended 31 December 2014 and 2013.

32. Fair values of assets and liabilities

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

(a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

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

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

No analysis is disclosed since the Group has no assets or liabilities that are measured at fair value subsequent to initial recognition for the financial year ended 31 December 2014 and 2013.

The carrying amount of trade and other receivables, cash and cash equivalents, interest-free loan from a director (current), and trade and other payables approximates their fair values due to the short period to maturity and subject to normal credit form. The fair value of the Group's fixed rate interest bearing loans and borrowings approximates their carrying amounts as they bear interest at a rate which approximate the current borrowing rate for similar lending and borrowing arrangements.

The fair value of interest-free loan from a director (non-current) 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 difference between the carrying amount and the fair value is RMB 557,000 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:

	2014	2013
Interest-free loan from a director	**6.0%**	-

Valuation policies and procedures

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

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The directors are responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

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

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

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

Statistics of Shareholdings

AS AT 18 MARCH 2015

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 - 99	1	0.04	15	0.00
100 - 1,000	30	1.24	28,985	0.01
1,001 - 10,000	1,101	45.38	8,329,900	2.10
10,001 - 1,000,000	1,266	52.19	81,409,300	20.56
1,000,001 and above	28	1.15	306,231,800	77.33
TOTAL	**2,426**	**100.00**	**396,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 18 March 2015)

	Direct interest		Deemed interest	
Name of shareholders	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 [(3)]	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.

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

Statistics of Shareholdings

AS AT 18 MARCH 2015

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	No. of shares	% of shareholdings
1	CITIBANK NOMINEES SINGAPORE PTE LTD	162,350,000	41.00
2	DBS NOMINEES PTE LTD	35,888,000	9.06
3	GAO ZHONGFA	15,200,000	3.84
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	10,284,900	2.60
5	CHUA ENG ENG	10,120,002	2.56
6	WANG DEYOU	10,100,000	2.55
7	TAN KENG KOK	9,640,300	2.43
8	ZHANG CONGQIAO	7,500,000	1.89
9	OCBC SECURITIES PTE LTD	6,463,600	1.63
10	TEO RAYMOND	4,100,000	1.04
11	LIONG KIAM TECK	3,536,998	0.89
12	RAFFLES NOMINEES (PTE) LIMITED	3,069,000	0.78
13	CHEN SHUOWANG	2,725,000	0.69
14	TEO POH SUAN	2,717,000	0.69
15	UOB KAY HIAN PRIVATE LIMITED	2,614,000	0.66
16	LIM TCHEN NAN	2,512,000	0.63
17	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,260,000	0.57
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,051,000	0.52
19	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	1,644,000	0.42
20	SIM SOO THONG	1,553,000	0.39
	TOTAL	**296,328,800**	**74.84**

FREE FLOAT

Based on the information provided to the Company as at 18 March 2015, 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, National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739, on Wednesday, 29 April 2015 at 3.30 p.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 2014, together with the Reports of the Directors and the Independent Auditors and the Statement by the Directors.

Resolution 2

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

Resolution 3

3. To re-elect Mr Ong Wei Jin, 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 Ong Wei Jin 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 4

4. To approve the payment of Directors' fees of SGD140,000 and RMB150,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears (FY2014: SGD140,000 and RMB150,000).

Resolution 5

5. To re-appoint Mazars LLP as the Company's Independent Auditors and to authorise the Directors to fix their remuneration.

6. To transact any other ordinary business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

Resolution 6

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

   "Authority to allot and issue shares

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

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

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

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

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

(1) the aggregate number of shares to be issued pursuant to 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 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 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
13 April 2015

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

Explanatory Notes:-

(i) Ordinary Resolution 6 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares) 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 6 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 6 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and (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 7 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.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting (the "**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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) ______________________ (NRIC/Passport/Registration No.)

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, National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739 on Wednesday, 29 April 2015 at 3.30 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting 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 2014 and Reports of the Directors and the Independent Auditors and Statement by the Directors		
2.	Re-election of Mr Wang De You as a Director		
3.	Re-election of Mr Ong Wei Jin as a Director		
4.	Approval of Directors' fees of SGD140,000 and RMB150,000		
5.	Re-appointment of Mazars LLP as Independent Auditors		
6.	Authority to allot and issue shares		
7.	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 ____________ 2015

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.

8. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 April 2015.

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

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