

**THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

This Letter is circulated to the shareholders (“**Shareholders**”) of Luzhou Bio-chem Technology Limited (the “**Company**”) together with the Company’s Annual Report. The purpose of this Letter is to explain to Shareholders the rationale and provide information relating to the proposed renewal of the Share Purchase Mandate (as defined in this Letter) to be tabled at the Annual General Meeting of the Company to be held on 26 April 2012 at 3.00 pm at Falcon Room, Level 3, Laguna National Golf & Country Club, 11, Laguna Golf Green, Singapore 488047.

The Notice of the Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should forward this Letter, the Notice of Annual General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter.



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

**LETTER TO SHAREHOLDERS**

**in relation to**

**THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

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

**Directors:-**

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

**Registered Office:-**

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

10 April 2012

To: The Shareholders of Luzhou Bio-chem Technology Limited (“**Shareholders**”)

Dear Sir/Madam

**PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

We refer to the Notice of the Annual General Meeting (the “**AGM**”) of Luzhou Bio-chem Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 10 April 2012 in respect of the AGM to be held on Thursday, 26 April 2012 at 3.00 pm and resolution 7 set out under “Special Business” in the Notice of the said AGM.

**1. Introduction**

Shareholders had approved a mandate (the “**Share Purchase Mandate**”) at the annual general meeting held on 28 April 2008 to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”). The Share Purchase Mandate had been subsequently renewed at the annual general meetings held on 28 April 2009, 28 April 2010 and 28 April 2011. The authority conferred on the directors of the Company (the “**Directors**”) under the current Share Purchase Mandate will expire at the forthcoming AGM to be held on 26 April 2012.

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the Share Purchase Mandate. The purpose of this letter (“**Letter**”) is to provide Shareholders with information in relation to the renewal of the Share Purchase Mandate.

**2. Rationale for the Share Purchase Mandate**

The rationale for the Company to undertake the purchase or acquisition of its Shares is that the Share Purchase Mandate would give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. The Share Purchase Mandate will also allow the Directors to exercise greater control over the Company’s share capital structure, dividend payout and cash reserves, with a view to enhancing the net tangible assets and/or earnings per Share.

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised. No purchase or acquisition of Shares will be made in

circumstances, which would have or may have a material adverse effect on the liquidity and capital of the Company and the Group.

### 3. Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if renewed at the AGM, are summarised below:-

#### (a) *Maximum Number of Shares*

The Company may purchase only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the AGM on which the resolution renewing the Share Purchase Mandate is passed (the “**Approval Date**”). Shares, which are held as treasury shares, will be disregarded for purposes of computing the 10% limit.

As at 14 March 2012 (the “**Latest Practicable Date**”), the Company had 396,000,000 issued Shares and no treasury shares, and thus up to 39,600,000 issued Shares may be purchased by the Company, assuming that the number of issued Shares (excluding treasury shares) of the Company remains unchanged up to the date of the AGM.

#### (b) *Duration of Authority*

Purchases of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:-

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or
- (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of Shareholders in general meeting.

#### (c) *Manner of Purchase*

Purchases of Shares may be made on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Market Purchases**”) and/or otherwise than on the SGX-ST, in accordance with an equal access scheme (“**Off-Market Purchases**”) as defined in Section 76C(6) of the Companies Act, Chapter 50 (the “**Companies Act**”).

Market Purchases refer to purchases of Shares by the Company effected on the SGX-ST, through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:-

- (i) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;

- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:-
  - (aa) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
  - (bb) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
  - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:-

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed share purchase;
- (iv) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) or other applicable take-over rules;
- (v) whether the share purchase, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (vi) details of any share purchases made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) *Maximum Purchase Price*

The purchase price (excluding brokerage, stamp duties, commissions, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price must not exceed:-

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined below),

(the “**Maximum Price**”) in either case, *excluding* related expenses of the purchase.

For the above purposes:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in Shares were recorded,

preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

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

**“Market Day”** means a day on which the SGX-ST is open for trading in securities; and

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

#### **4. Status of Purchased Shares**

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. According to the key provisions on treasury shares under the Companies Act:-

(a) *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) *Voting and other Rights*

The Company will not have the right to attend or vote at meetings and/or to receive any dividends in respect of treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) *Disposal and Cancellation*

The Company may dispose of treasury shares at any time in the following ways:

- (i) selling the treasury shares for cash;
- (ii) transferring the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transferring the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancelling the treasury shares; or
- (v) selling, transferring or otherwise using the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

## 5. Source of Funds

Any purchase of Shares may be made out of the Company's distributable profits that are available for payment as dividends. The Companies Act also permits the Company to purchase its Shares out of capital, provided that:-

- (a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the twelve (12) months immediately following the purchase; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

The Company will use internal sources of funds, or a combination of internal resources and external borrowings, to finance purchases of its Shares.

## 6. Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Purchase Mandate on the net tangible asset value and earnings per Share as the resultant effect would depend on factors such as the aggregate numbers of Shares purchased, the purchase prices paid at the relevant times, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition, how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act, and the amounts (if any) borrowed by the Company to fund the purchases.

Where the purchase of Shares is made out of distributable profits, such purchase (including costs incidental to the purchase) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company, and a decline in the current ratios and shareholders' funds of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

As at the Latest Practicable Date, the Company had 396,000,000 Shares (excluding treasury shares). Based on the aforesaid number of issued Shares (excluding treasury shares), the exercise in full of the Share Purchase Mandate would result in the purchase of 39,600,000 Shares.

For illustrative purposes only and on the basis of the following assumptions:-

- (a) that the purchase or acquisition by the Company of 39,600,000 Shares, representing 10% of its 396,000,000 issued Shares (excluding treasury shares) as at 31 December 2011 was made on 8 March 2012 entirely out of capital, and the purchased Shares were held as treasury shares;

- (b) that the Company purchased or acquired Shares via Market Purchases at the Maximum Price of S\$0.112 for each Share (being 105% of the Average Closing Price as at 8 March 2012);
- (c) that the purchase or acquisition of Shares by the Company, which required funds amounting to RMB21,541,323 was financed entirely using its internal sources of funds; and
- (d) that as at 31 December 2011, the exchange rate for RMB/S\$ was RMB485.69/S\$100,

the financial effects of Share purchases by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2011 (“FY2011”), are set out below.

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
<b>As at 31 December 2011</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Share capital	282,820	282,820	282,820	282,820
Revenue reserves (distributable)	160,100	160,100	102,774	102,774
Statutory reserves	81,746	81,746	-	-
Treasury shares	-	(21,541)	-	(21,541)
Shareholders' funds	524,666	503,125	385,594	364,053
Net tangible assets <sup>(1)</sup>	524,666	503,125	385,594	364,053
Current assets	834,022	812,481	13,830	(7,711)
Current liabilities	815,286	815,286	1,113	1,113
Working capital	18,736	(2,805)	12,717	(8,824)
Total liabilities	1,278,746	1,278,746	1,113	1,113
Cash and cash equivalents	103,141	81,600	3,853	(17,688)
Number of Shares ('000)	396,000	356,400	396,000	356,400
<b>Financial Ratios</b>				
Net tangible assets per Share <sup>(1)</sup> (cents)	132.5	141.2	97.4	102.1
Earnings per Share (cents)	13.9	15.4	N.A	N.A
Gearing ratio <sup>(2)</sup> (times)	1.1	1.2	0.0	0.0
Current ratio <sup>(3)</sup> (times)	1.0	1.0	12.4	(6.9)

**Notes:-**

- (1) Net tangible assets equal total net assets less intangible assets.
- (2) Gearing ratio equals total bank borrowings divided by shareholders' funds.
- (3) Current ratio equals current assets divided by current liabilities.

**Shareholders should note that the financial effects set out in this Section 6 are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical FY2011 numbers and are in no way indicative of the Company's real financial position or a forecast of the Company's financial figures.**

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

## **7. Listing Rules**

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 3(d) above, conforms to this restriction.

The listing rules of the SGX-ST specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form prescribed by the Listing Manual.

While the listing rules of the SGX-ST do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Listing Manual on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks immediately preceding the announcement of the Company's quarterly results or one (1) month immediately preceding the announcement of the Company's full-year results, as the case may be, and ending on the date of announcement of the relevant results.

## **8. Listing Status on the SGX-ST**

The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its issued Shares (excluding treasury shares) are in the hands of the public. The "public", as defined in the Listing Manual, are persons other than the Directors, Chief Executive Officer, substantial shareholders and controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, based on the information provided to the Company, there were 175,840,000 issued Shares in the hands of the public (as defined above), representing 44.4% of the total number of issued Shares of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate and holds the Shares as treasury shares, the number of issued Shares in the hands of the public would be reduced to 136,240,000 Shares, representing 38.2% of the total number of issued Shares (excluding treasury shares) of the Company. As at the Latest Practicable Date, the Company did not hold any treasury shares.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without:-

- (a) affecting adversely the listing status of the Shares on the SGX-ST;
- (b) causing market illiquidity; or
- (c) affecting adversely the orderly trading of Shares.

## 9. Tax Implications

### *Where the Company uses its Distributable Profits for Share Purchases*

Under Section 10J of the Income Tax Act, Chapter 134 (the “**Income Tax Act**”), a company which purchases its own shares using its distributable profits is deemed to have paid a dividend to the shareholders from whom the shares are acquired.

As the Company is under the one-tier corporate tax system, the provisions under Section 44 of the Income Tax Act do not apply to the Company. That is, the Company does not need to provide for the franking of dividends for any Share purchase made.

The tax treatment of the receipt from a Share purchase in the hands of the Shareholders will depend on whether the disposal arises from a Market Purchase or an Off-Market Purchase. Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature. Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase effected by way of an equal access scheme will be treated for income tax purposes as receipts of dividends.

### *Where the Company uses its Contributed Capital for the Share Purchase*

Under Section 10J of the Income Tax Act, a company which purchases its own shares using its contributed capital is not deemed to have paid a dividend to its shareholders from whom the shares are acquired.

Proceeds received by Shareholders who sell their Shares to the Company for which the purchases were made out of contributed capital will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature.

**Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.**

## 10. Implications of Take-over Code

### 10.1 Obligation to Make a Take-over Offer

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders

acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 (“**TOC Appendix 2**”) of the Take-over Code.

In relation to Directors and persons acting in concert with them, Rule 14 provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:-

- (a) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or
- (b) if they together hold between 30% and 50% of the Company’s voting rights, their voting rights increase by more than 1% in any period of six (6) months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company’s voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert: (i) a company with any of its directors; and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% or more of the equity share capital of a company will be regarded as the test of associated company status.

## **10.2 Rulings of the Securities Industry Council (“SIC”) applicable to the Company**

As at the Latest Practicable Date, Niu Ji Xing (the Executive Chairman of the Company) held, directly and indirectly, 40.87% of the issued Shares, of which 39.89% was held by Faith Corporate International Limited, a company wholly-owned by Niu Ji Xing. Faith Corporate International Limited is presumed to be a party acting in concert with Niu Ji Xing (“**Concert Party**”). In the event that the Company should, pursuant to the Share Purchase Mandate, purchase or acquire up to 10% of its issued Shares, the shareholding of Niu Ji Xing and his Concert Party could increase by more than 1% in any 6-month period. Under the Take-over Code, Niu Ji Xing and his Concert Party would incur a mandatory take-over obligation for the issued Shares.

The SIC had on 5 March 2012 exempted Niu Ji Xing and his Concert Party from the requirement to make a general offer under Rule 14 of the Take-over Code arising from any share purchase by the Company pursuant to the Share Purchase Mandate, subject to the following conditions:-

- (a) that this Letter contains:-
  - (i) advice to the effect that by voting for the renewal of the Share Purchase Mandate, Shareholders are waiving their rights to a general offer at the required price from Niu Ji Xing and his Concert Party and parties acting in

concert with them who, as a result of the share purchases by the Company, would increase their percentage of total voting rights in the Company by more than 1% in any 6-month period;

- (ii) the names of Niu Ji Xing and his Concert Party, and parties acting in concert with them, and their voting rights at the time of the AGM and after the share purchase;
- (b) that the resolution to approve the renewal of the Share Purchase Mandate is approved by a majority of those Shareholders present and voting at the AGM on a poll who could not become obliged to make an offer as a result of the share purchase;
- (c) that Niu Ji Xing and his Concert Party, and parties acting in concert with them, abstain from voting for or recommending Shareholders to vote in favour of the resolution to approve the renewal of the Share Purchase Mandate; and
- (d) that Niu Ji Xing and his Concert Party, and parties acting in concert with them, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Purchase Mandate is imminent and the earlier of:-
  - (i) the date on which the authority of the Share Purchase Mandate expires; and
  - (ii) the date on which the Company announces that it has purchased such number of Shares as authorised by the Share Purchase Mandate or it has decided to cease purchasing its Shares, as the case may be,

if such acquisitions, taken together with those purchased by the Company under the Share Purchase Mandate, would cause their aggregate voting rights in the Company to increase by more than 1% in any 6-month period.

If the Company ceases to purchase its Shares under the Share Purchase Mandate and the increase in the aggregate voting rights held by Niu Ji Xing and his Concert Party, and the parties acting in concert with them, as a result of the Company purchasing its Shares is less than 1%, Niu Ji Xing and his Concert Party, and parties acting in concert with them, may acquire further voting rights in the Company. However, any increase in the percentage of total voting rights in the Company of Niu Ji Xing and his Concert Party, and parties acting in concert with them, as a result of share purchases by the Company under the Share Purchase Mandate will be taken into account together with any voting rights acquired by Niu Ji Xing and his Concert Party, and parties acting in concert with them (by whatever means) after the cessation in determining whether Niu Ji Xing and his Concert Party, and parties acting in concert with them, have increased their aggregate voting rights in the Company by more than 1% in any 6-month period.

**Shareholders are advised that by voting in favour of the resolution to approve the renewal of the Share Purchase Mandate, they will be waiving their rights to a general offer at the required price by Niu Ji Xing and his Concert Party, and persons acting in concert with them, who, as a result of the purchase of Shares by the Company pursuant to the Share Purchase Mandate, would increase their voting rights in the Company by more than 1% in any 6-month period.**

Based on the holdings of Shares of Niu Ji Xing and his Concert Party as at the Latest Practicable Date, and assuming that (i) there is no change in their holdings of Shares between the Latest Practicable Date and the date of the AGM; (ii) no new Shares are issued to Niu Ji Xing and his Concert Party by the Company following the Shareholders' renewal of the Share Purchase Mandate at the AGM; and (iii) Niu Ji Xing and his Concert Party do not otherwise sell or dispose of their Shares, the holdings of Shares of Niu Ji Xing and his Concert Party as at the date of the AGM and after the purchase by the Company of 10% of the issued Shares pursuant to the Share Purchase Mandate are as follows:-

	Before Share Purchase (as at the date of AGM)		After Share Purchase	
	Number of Shares	%	Number of Shares	%
Niu Ji Xing <sup>(1), (2)</sup>	3,900,000	0.98	3,900,000	1.09
Faith Corporate International Limited <sup>(2)</sup>	157,950,000	39.89	157,950,000	44.32

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

Other than the foregoing, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

**Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.**

**11. Reporting Requirements**

Within 30 days of the passing of the Shareholders' resolution to renew the Share Purchase Mandate, the Directors shall lodge a copy of such resolution with the Registrar of Companies (the "Registrar").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

**12. No Share Purchases in the Previous 12 Months**

No Shares had been purchased by the Company in the 12 months preceding the Latest Practicable Date.

### 13. Directors' and Substantial Shareholders' Interests

The interests of the Directors and substantial Shareholders in the share capital of the Company as at the Latest Practicable Date are, as follows:-

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
<b>Directors</b>				
Niu Ji Xing <sup>(1), (2)</sup>	3,900,000	0.98	157,950,000	39.89
Gao Zhong Fa <sup>(3)</sup>	15,200,000	3.84	-	-
Wang De You <sup>(4)</sup>	10,100,000	2.55	-	-
Teoh Teik Kee	125,000	0.03	-	-
Ong Wei Jin	125,000	0.03	-	-
<b>Substantial Shareholders (other than Directors)</b>				
Faith Corporate International Limited <sup>(5)</sup>	157,950,000	39.89	-	-
Toh Bee Yong	32,760,000	8.27	-	-

**Notes:-**

- (1) Niu Ji Xing's deemed interest refers to the 157,950,000 Shares held by Faith Corporate International Limited by virtue of Section 7 of the Companies Act.
- (2) The Shares of Niu Ji Xing are registered in the name of Citibank Nominees Singapore Private Limited.
- (3) The Shares of Gao Zhong Fa are registered in the name of Citibank Nominees Singapore Private Limited.
- (4) The Shares of Wang De You are registered in the name of Citibank Nominees Singapore Private Limited.
- (5) The Shares of Faith Corporate International Limited are registered in the name of Citibank Nominees Singapore Private Limited.

### 14. Directors' Recommendation

Having fully considered the rationale for the renewal of the Share Purchase Mandate set out in this Letter, the Directors believe that the renewal of the Share Purchase Mandate is in the best interest of the Company. The Board of Directors, save for Niu Ji Xing (who is required to abstain from making any recommendation), recommend that Shareholders vote in favour of the ordinary resolution to renew the Share Purchase Mandate to be proposed at the forthcoming AGM.

Niu Ji Xing and his Concert Party, and parties acting in concert with them, shall abstain from voting for the resolution to renew the Share Purchase Mandate.

### 15. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

**16. Disclaimer**

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

**17. Documents Available for Inspection**

The following documents are available for inspection at the registered office of the Company at 18 Cross Street #07-11 China Square Central, Singapore 048423, during normal business hours from the date of this Letter up to the date of the AGM:-

- (a) the Annual Report of the Company for the financial year ended 31 December 2011;  
and
- (b) the Memorandum and Articles of Association of the Company.

Yours faithfully

For and on behalf of the Board of Directors of  
LUZHOU BIO-CHEM TECHNOLOGY LIMITED

**Niu Ji Xing**  
Executive Chairman



