



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore with Registration Number 200412523N)

RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of Luzhou Bio-Chem Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries below raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to the Company’s Annual Report 2019, and provides the following response.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

- a. We note that the Company had not complied with Provisions 2.3 and 2.4 of the Code as (i) Non-Executive Directors do not make up a majority of your Board and (ii) the Company has not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Response

As the Independent Directors make up half of the Board, there is a strong independent element on the Board. This is consistent with the intent of Principle 2 of the Code which requires the Board to have an appropriate level of independence. The Board is thus of the view that it is not necessary or cost-effective to have Non-Executive Directors make up a majority of the Board. This has been stated on page 27 of the Annual Report.

On page 28 of the Annual Report, it is stated that the Board reviews its composition from time to time and seeks to maintain a diversity of expertise, skills, gender, age and other attributes, and that the current composition of the Board includes a diverse breadth of industry expertise, knowledge and experience, with the Independent Directors bringing with them knowledge and experience in areas such as finance, audit and accounting, legal and regulatory compliance, and relevant industry experience. It has also been stated that the Board acknowledges that gender is one aspect of diversity and will ensure that female candidates will be considered when there is a need to appoint new members to the Board. The composition of the Board is thus consistent with the intent of Principle 2 of the Code as it provides a diversity of thought and background to enable the Board to make decisions in the best interests of the Company.

- b. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Response

The remuneration policies of the Group with regard to the Directors and key management personnel are set out on page 31 of the Annual Report under Principle 7 of the Code. The level and mix of remuneration paid or payable to each Director and key management personnel (who is not also a Director) is set out on page 32 of the Annual Report. The remuneration has been categorised into base salary, variable or performance-related bonus, directors' fees and other benefits. While Provision 8.1 of the Code requires disclosure of the amounts and breakdown of remuneration of each Director and the CEO, it is explained on page 32 of the Annual Report that the Board is of the view that full disclosure of the specific remuneration of each individual Director 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. The Board believes that the disclosure of remuneration in bands of S\$250,000 fulfils the intent of Principle 8 of the Code, with the commercial interests of the Group in mind.

- c. Provision 9.2(a) of the Code provides that the Board requires and discloses in the company's annual report that it has received assurance from the CEO and the Chief Financial Officer ("CFO") 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.

Please clarify how the practices the Company had adopted, i.e. receiving assurance from the Group Finance Manager instead of the CFO are consistent with the intent of Principle 9 of the Code.

Response

The Board wishes to clarify that it has received assurance from the Chief Financial Officer as well 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.

By order of the Board

Niu Ji Xing
Executive Chairman and CEO
20 August 2020