

**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 financial statements for the half year ended 30 June 2020 announced on 14 August 2020, and provides the following response.

- (a) Please provide detailed explanations on what contributed to the material decrease of trade receivables of RMB43.7mil.

Response

The breakdown of trade receivables as at 30 June 2020 and 31 December 2019 are as follows:

30 June 2020							
Gross trade receivables						Allowances for expected credit loss	Net trade receivables
0 – 1 month	1 – 3 months	3 - 6 months	6 – 12 months	>12 months	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
86,811	50,256	3,179	2,019	14,694	156,959	(13,383)	143,576
55.3%	32.0%	2.0%	1.3%	9.4%	100.0%		

31 December 2019							
Gross trade receivables						Allowances for expected credit loss	Net trade receivables
0 – 1 month	1 – 3 months	3 - 6 months	6 – 12 months	>12 months	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
147,654	33,232	1,488	5,372	13,336	201,082	(13,784)	187,298
73.4%	16.5%	0.7%	2.7%	6.7%	100.0%		

The total trade receivables as at 30 June 2020 and 31 December 2019 were RMB 143.6 million and RMB 187.3 million respectively and the decrease of trade receivables of RMB 43.7 million was the result of lower sales recorded in the half year ended 30 June 2020 due to the COVID-19 lockdown and the stop production order imposed by the Chinese authority. The decrease was also attributed to the increased collection efforts by the management.

- (b) Please provide the aging of the trade receivables as at 30 June 2020 and the Board's assessment on the recoverability of the Group's trade receivables and the bases for such an assessment.

Response

Please refer to the response to query (a) above for the aging of the gross trade receivables as at 30 June 2020.

The management notes that as of 30 June 2020, approximately 87.3% of the gross trade receivables is aged 3 months or less. Taking into account the nature of the business and the customers' profile, the management has provided an allowance for expected credit loss of RMB 13.4 million or approximately 91.1% of the gross trade receivables that have been outstanding for more than 12 months, leaving a balance of about RMB 1.3 million or 8.9% of receivables outstanding for more than 12 months which the management is still in the process of making efforts towards their recovery.

Based on the above, the Board is of the view that based on the circumstances as at 30 June 2020, the amount of allowance is reasonable.

- (c) Please provide a breakdown of Other receivables, deposits and prepayments as at both 30 June 2020 and 31 December 2019, and provide explanations on a line item basis on what contributed to the increase of other receivables, deposits and prepayments from 31 December 2019 to 30 June 2020.

Response

The breakdown of other receivables, deposits and prepayments as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
	RMB'000	RMB'000
Other receivables	4,762	4,979
Deposits and advances paid to suppliers	18,102	16,489
Prepayments	16,647	13,734
Total	39,511	35,202

The increase in total other receivables, deposits and prepayments of about RMB 4.3 million was mainly due to the increase in deposits and advances paid to suppliers of materials of RMB 1.6 million and prepayments of insurance, maintenance of plant and equipment and financing interest of RMB 2.9 million, partially offset by decrease in staff loan and advance drawing of staff traveling expenses of RMB 0.2 million.

- (d) Please provide the aging of Trade payables as at both 30 June 2020 and 31 December 2019 and provide an explanation for the material decrease of RMB81.5 mil.

Response

The aging of trade payables as at 30 June 2020 and 31 December 2019 are as follows:

30 June 2020				
0 – 1 month	1 – 3 months	3 - 6 months	6 – 12 months	>12 months
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
119,767	50,315	9,002	3,198	3,074
64.6%	27.1%	4.9%	1.7%	1.7%

31 December 2019				
0 – 1 month	1 – 3 months	3 - 6 months	6 – 12 months	>12 months
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
216,156	36,556	7,680	4,181	2,257
81.0%	13.7%	2.9%	1.6%	0.8%

As at 30 June 2020, the total trade payables was RMB 185.4 million as compared to RMB 266.8 million as at 31 December 2019. The decrease of RMB 81.5 million was mainly due to payment to suppliers of corn and other materials of about RMB 79.4 million, payment to suppliers of plant and equipment including repair of about RMB 0.4 million, and other miscellaneous payments of about RMB 1.7 million.

By order of the Board

Niu Ji Xing
Executive Chairman and CEO
8 September 2020