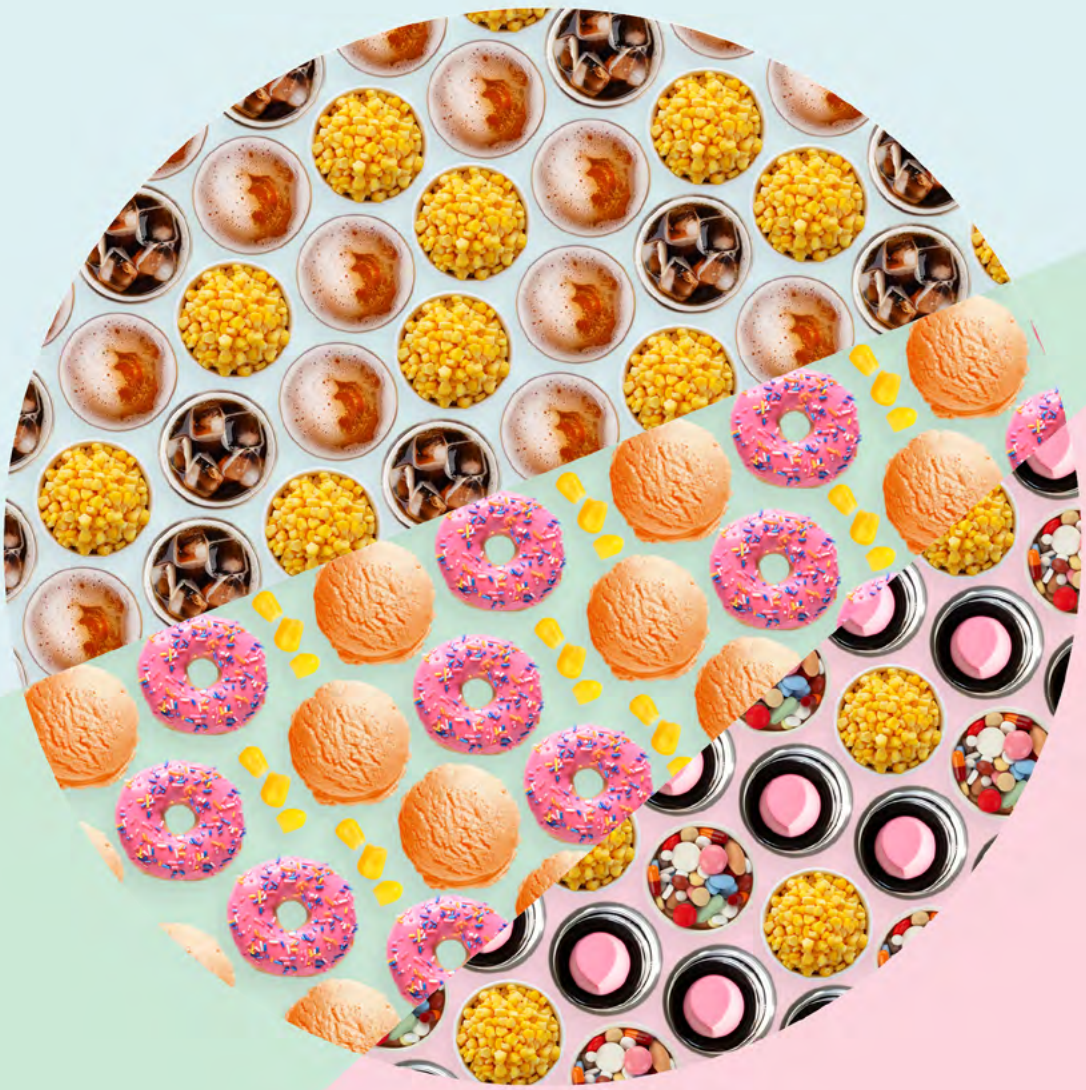
CONSOLIDATING OUR STRENGTHS

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Annual Report 2018



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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 37% since 2006, and currently maintains a total production capacity of 890,000 tonnes per annum through five production facilities in the PRC. These include facilities in Yishui, Shandong Province, 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. 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 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), 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).

ASSUREDLY TRUSTABLE

We believe in doing what we say and doing things the right way. Trust and integrity are ethos that we adhere to. These are the intangibles that do not appear on a balance sheet, but the cornerstone in building lasting relationships that provide stability.

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Niu Ji Xing

Dear Shareholders,

On behalf of the Board of Directors of Luzhou Bio-Chem Technology Limited ("Luzhou" or the "Group"), I present the Group report and financials for the year ended 31 December 2018 (FY2018), and some observations of the business conditions.

Challenges and Opportunities

We demonstrated resilience in the face of challenging market conditions, as we consolidated our strengths and remained focused on delivering long-term value for our shareholders. Underpinned by the vast experience of our management team, quality products and innovative spirit, we are well-positioned to augment our business and seize opportunities to fuel a sustainable future.

Enhancing Production Efficiency

Following the relocation of our Shandong plant in end 2016, production capacity utilisation has grown from strength to strength as we benefited from improved operational efficiency. Meanwhile, our upgrading efforts last year at our Henan and Shaanxi plants allowed us to boost production efficiency and at the same time we reaped the benefits of reduced energy consumption during the production process. Apart from this, these modifications allowed us to fulfil the government's environmental control regulations.

Consolidating for Growth

Amid stiffer competition in the corn sweetener industry, we will consolidate our sales and marketing strategies to high value customers. Beyond striving to reduce logistics costs, centralising the management of sales orders and pricing and integrating sales resources, we will seek to secure our market share and augment the Group's financial performance.

By consolidating the Liaoning, Henan and Shaanxi plants' sales approach to major customers, we expect to strengthen our customer relationships to deliver improved sales coordination and services and bolster profitability. Apart from this, the Shandong plant will extend its export development efforts through participation in domestic and international trade exhibitions to promote our corn sweetener products. Additionally, we are confident that the strength of the customer relationships we had established over the years and our reputation for product quality and consistency will continue to stand us in good stead for the future.

WE CONSOLIDATED OUR STRENGTHS AND REMAINED FOCUSED ON DELIVERING LONG-TERM VALUE FOR OUR SHAREHOLDERS.

Financial Performance

During the year in review, Group revenue rose 9.1% to RMB 2.2 billion, owing to an increase in the sales volume and average selling price of our corn refining segment. Meanwhile, other operating income declined to RMB 27.8 million this financial year, mainly due to the reversal of impairment of property, plant and equipment of our Shandong subsidiary in May 2017 and the insurance claim compensation for the losses incurred from a fire at our Liaoning subsidiary recognised in FY2017. Likewise, other operating expenses slipped RMB 4.6 million to RMB 47.3 million this year, which was attributable mainly to losses of about RMB 7.3 million resulting from a fire at our Liaoning subsidiary in FY2017 and the decrease in the loss on disposal of plant and equipment of about RMB 6.8 million, which were partially offset by the increase in impairment of property, plant and equipment of about RMB 7.1 million and the increase in employee compensation for work-related injury.

In FY2018, the Group recorded a net loss of RMB 90.5 million. Earnings per share dipped to negative 15.2 RMB cents this financial year, compared to negative 5.6 RMB cents earnings per share in FY2017. As at 31 December 2018, cash and cash equivalents stood at RMB 163.7 million, against RMB 190.3 million in FY2017, while net asset value per share eased to 0.8 RMB cents in FY2018 compared to 16.1 RMB cents last year.

Outlook

Market Overview

FY2018 saw China's growth continue to moderate, with the softer global economy and uncertainty from the US-China trade tensions expected to weigh on exports moving forward. In the face of these headwinds, the government is focused on supporting the economy by promoting industrial upgrading and technological innovation to foster high-quality enterprises. Apart from this, the government will inject more liquidity for local enterprises by improving financing and taxation policies, with the Group poised to benefit from this to ease its cash flow and lower borrowing costs.

The growing trend towards healthy living has impacted consumer preferences, with the intake of products high in refined sugars expected to ease and demand for corn sweetener products anticipated to reduce progressively. While we project that demand for sugar-related products in the high-end food and beverage (F&B) industry will remain robust, we expect that sales of such products in the low-end F&B industry would be affected. We will closely monitor the situation and evaluate possible measures should the need arise.

Stiffer Environmental Regulations

In view of the government's continued focus on tackling environmental pollution, stricter environmental control rules and stringent inspections were carried out across all industries around the country. In the face of these regulations, Luzhou incurred higher operating costs, as we invested in upgrading our plants and equipment to meet these environmental pollution measures.

Meanwhile, increased government regulations on air and waste pollution translated to higher capital investment costs for upgrading across the manufacturing industry. Beyond affecting production, this brought about market consolidation, with smaller manufacturing companies being forced out due to increased pressure on their production costs. Similarly, the firmer environmental regulations led to the closure of many small coal mines, contributing to tighter coal supply and higher coal prices that resulted in higher electricity costs at our production plants. Moving forward, we remain focused on harnessing new technology to upgrade our plants and equipment, as we seek to lower energy consumption and costs, while raising production efficiency.

Raw Material Prices

We expect corn prices to remain moderately stable in the short to medium term, with China projected to import more soya bean and corn from the United States, which will make up for lower corn production stemming from the reduction of government land for corn planting. In addition, the government's policy of promoting ethanol gasoline as a cleaner fuel is expected to increase corn demand and consumption, which is expected to impact corn prices. At the same time, the expanding capacity of corn deep-processing enterprises in northeast China has supported corn prices and increased the competition for corn procurement. We will continue to keep a close watch on corn prices and make timely adjustments to our corn inventory, seek to develop procurement and storage capabilities to manage costs and stabilise production, while making appropriate adjustments to our products' selling prices.

Looking ahead, Luzhou is committed to consolidating our market position, streamlining our operations to facilitate better control, as well as upgrading our plants and equipment to drive greater operational efficiency. In line with this, the Group will harness technology to attain higher energy savings, lower water and power consumption to curb environmental pollution, and enhance cost competitiveness. In addition, we will bolster our strategic relationships with big-grain traders, leveraging our long-term and stable relationships with them to secure our corn supply and mitigate price risk. Furthermore, we will press on with our efforts in innovation to improve our product offerings in order to provide value-added services that fulfil our customers' needs.

Appreciation

My deepest appreciation goes out to our shareholders, customers, business partners and staff for their steadfast support during the past year. Building on our firm foundation, the Group is well-placed to consolidate our strengths, while capturing fresh opportunities to fuel growth in the new year.

Niu Ji Xing
Executive Chairman and CEO

尊敬的各位股东，

我谨代表鲁洲生物科技有限公司（下文称"鲁洲"或"集团"）董事会呈递集团2018财年财务报表、财务报告及经营状况评论。

挑战和机遇

面对困难的市场环境，我们巩固优势，继续致力于向客户传递长期价值，这证明了我们具备抗逆能力。我们拥有具备丰富经验的管理团队、优质的产品和创新精神，相信我们有能力扩大经营、抓住机会，为可持续发展的未来提供支持。

提高生产效率

山东工厂在2016年搬迁完成后，运营效率提高，进而促使产能发挥率不断提高。同时，由于去年我们对河南工厂和陕西工厂进行了升级改造，使今年的生产效率提高了，同时减少了生产过程中的能源耗用。此外，这些发展变动也使我们的生产经营符合了当地政府的环保规定。

巩固成长

面对玉米淀粉糖行业的激烈竞争，我们巩固、调整营销策略，转向高价格客户。我们努力降低物流成本，实施销售订单和定价集中管理，整合销售资源，力争提高市场份额和集团财务业绩。通过巩固辽宁工厂、河南工厂和陕西工厂面向大客户的销售方法，为客户提供更好的销售协调和服务，我们希望能加强与客户的合作关系，提高盈利能力。除此之外，山东工厂会努力开发国际市场，积极参加国内外各项展会，促销我们的淀粉糖产品。我们相信，这些年建立的良好客户关系、产品质量口碑以及稳定性，有利于我们未来的持续发展。

财务业绩

在本财年，集团销售收入比去年同期增加了9.1%，增加到人民币22亿元，主要归因于玉米淀粉糖销量和加权平均售价的提高。同时，其他业务收入比去年同期减少73.0%，减少到人民币27.8百万元，主要归因于2017年5月山东工厂转回了固定资产减值准备，以及辽宁工厂在2017年确认了火灾赔款收入。同样的，其他业务支出比去年同期减少了人民币4.6百万元，减少到人民币47.3百万元，这主要归因于2017年辽宁工厂火灾损失人民币7.3百万元和固定资产清理损失减少约人民币6.8百万元，此减少被固定资产减值准备计提额的增加人民币7.1百万元和员工工伤赔款的增加部分抵消。

在2018财年，集团净亏损人民币90.5百万元。每股收益从2017财年的负人民币5.6分下滑至本财年的负人民币15.2分。截至2018年12月31日，现金及现金等价物为人民币163.7百万元，在2017财年年末为人民币190.3百万元，每股净资产从去年的人民币16.1分下降到本财年的人民币0.8分。

前景

市场状况概述

2018财年中国经济增长减速，全球经济温和以及中美贸易紧张预计会给出口带来不利影响。面对种种不利因素，政府正努力通过产业升级、技术革新来培养高质量企业，支持经济发展。此外，政府将通过融资和税收政策的调整，向当地企业注入更多流动性。集团当然也会从中受益，现金流压力将得以缓解，借款成本也将有所下降。

随着健康生活趋势的发展，消费者偏好有所改变，预计深加工糖类产品消费量将减少，进而使玉米淀粉糖产品的市场需求逐渐减少。虽然我们预计来自高端食品和饮料行业的糖类产品需求依然强劲，但是，低端食品和饮料行业的糖产品需求量将会遭受不利影响。我们将密切关注市场的发展变化，必要时采取合适的应对措施。

更加严格的环保管治

中国政府继续严抓环境污染治理，针对各行各业的环保管治条规和环保检查越来越严格。在此情形下，鲁洲为使其生产经营活动符合环保规定不得不对其设备进行升级改造投资，这导致运营成本增加。

同时，中国政府不断出台空气和废物污染方面的规章条例，使得制造业发生较高的升级改造成本。这不仅给企业生产带来不利影响，还带来了市场合并重组，小规模制造商因无法承受较高的生产成本压力而被迫出局。类似地，越来越严格的环保规定已迫使很多小型煤矿关停，进而导致煤碳供给紧张、煤价上涨，最终使我们生产工厂的电力成本增加。以后，我们会继续利用新技术对设备进行升级改造，以期降低能源消耗，减少生产成本，提高生产效率。

原材料价格

我们预计玉米价格在中短期内保持相对稳定，中国计划增加美国大豆和玉米进口量，这将弥补中国玉米种植面积减少带来的玉米产量下降。此外，中国政府鼓励生产和使用乙醇汽油，这是一种更加环保的燃料，这将使玉米需求量和耗用量增加，进而影响玉米价格。同时，中国东北地区玉米深加工企业的产能扩张也将支撑玉米价格、加剧玉米采购竞争。我们将继续密切关注玉米价格波动，及时调整玉米存货水平，努力提高我们的采购和存储能力，降低材料成本，确保生产稳定，同时适当调整产品售价。

以后，鲁洲将努力巩固自己的市场地位，优化业务流程，提高管控水平，并对设备进行升级改造以提高运营效率。为此，集团将继续利用技术提升来达到能源节约、减少水源耗用和电力消耗的目标，进而减小环境污染，提高成本竞争力。此外，我们将努力与大型粮食供应商建立战略合作关系，通过这种长期、稳定的合作关系来保障我们的玉米供给，减小玉米价格波动风险。另外，我们将继续努力创新、提升我们的产品质量，为客户提供增值服务，满足客户需求。

感谢语

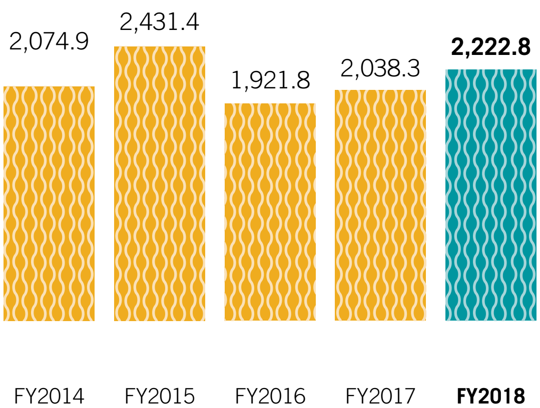
在此，我向全体股东、客户、业务伙伴和员工深表感谢，感谢他们过去一年对集团一如既往的支持。立足于我们的稳固根基，相信我们可以很好的巩固优势，抓住新机遇，促进集团成长。

牛继星
执行主席兼CEO

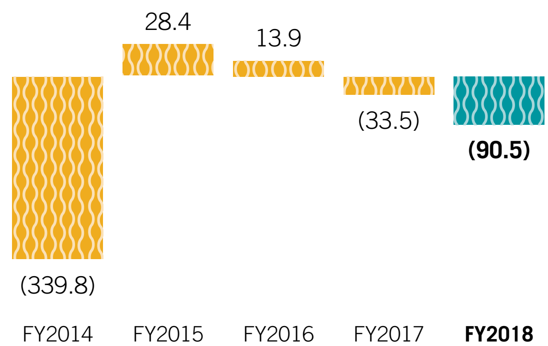
FINANCIAL HIGHLIGHTS

	2014 RMB million	2015 RMB million	2016 RMB million	2017 RMB million	**2018 RMB million**
Revenue	2,074.9	2,431.4	1,921.8	2,038.3	**2,222.8**
(Loss)/Profit Before Interests, Tax, Depreciation and Amortisation ("EBITDA")	(52.7)	176.4	146.8	71.1	**80.5**
Net (Loss)/Profit Before Tax	(339.8)	36.0	18.9	(32.8)	**(85.5)**
Net (Loss)/Profit After Tax and Non-controlling Interests ("PATNCI")	(339.8)	28.4	13.9	(33.5)	**(90.5)**
Net (Loss)/Profit Margin (%)	(16.4)	1.2	0.7	(1.6)	**(4.1)**
Revenue by Operating Segments (%)					
– Corn Refining	89.6	94.6	99.3	99.9	**99.9**
– Animal Feed	9.9	5.2	0.5	-	**-**
– Others	0.5	0.2	0.2	0.1	**0.1**
	100.0	100.0	100.0	100.0	**100.0**
Revenue by Geographical Segments (%)					
– PRC	95.1	97.5	96.6	96.9	**96.6**
– Other Countries	4.9	2.5	3.4	3.1	**3.4**
	100.0	100.0	100.0	100.0	**100.0**
At Year End					
Net Current Assets	(48.4)	30.6	108.8	34.2	**24.5**
Total Assets	1,240.8	1,285.0	1,483.2	1,288.5	**1,217.6**
Total Equity	72.2	126.5	134.7	95.3	**4.8**
Total Liabilities	1,168.6	1,158.4	1,348.5	1,193.1	**1,212.7**
Cash and Cash Equivalents	54.6	166.9	301.2	190.3	**163.7**
Per Share (RMB cents)					
(Loss)/Earnings per Share	(85.8)	6.3	2.3	(5.6)	**(15.2)**
Net Tangible Assets per Ordinary Share	18.2	21.3	22.7	16.1	**0.8**
Dividend per Share (SGD)	-	0.002	0.002	-	**-**
Returns (%)					
Return on Revenue	(16.4)	1.2	0.7	(1.6)	**(4.1)**
Return on Shareholders' Equity	(470.5)	22.4	10.3	(35.5)	**(1,872.4)**
Return on Total Assets	(27.4)	2.2	0.9	(2.6)	**(7.4)**
Ratios					
– Inventory Turnover	47	37	40	36	**39**
– Trade Receivables	33	27	35	32	**29**
– Trade Payables	40	36	47	48	**50**
– Debt to Equity Ratio (Times)	10.96	6.54	7.20	8.46	**159.3**

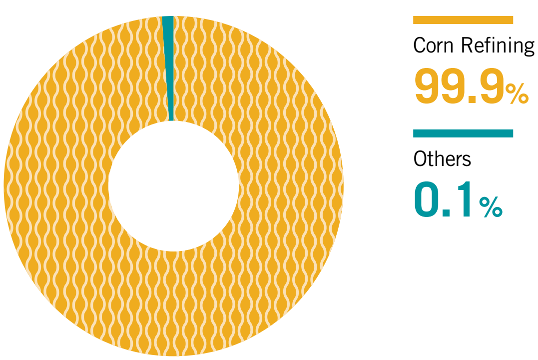
REVENUE
(RMB million)



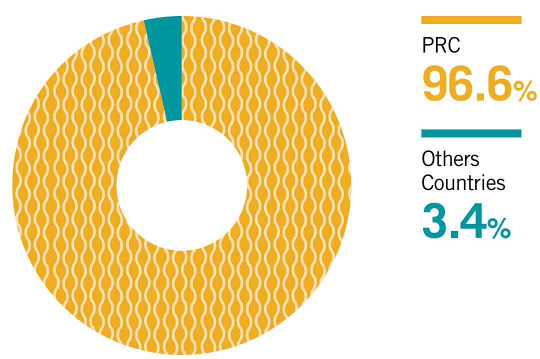
Net (Loss)/Profit After Tax and Non-controlling Interests (“PATNCI”)
(RMB million)



REVENUE BY OPERATING SEGMENTS
(%)



REVENUE BY GEOGRAPHICAL SEGMENTS
(%)



ADVANCING
OPPORTUNITY

To us no opportunity is too small or big. Day in and day out, we maximise potential and transform them into meaningful possibilities. As a company, this is how we think and work in unity, by turning possibilities into opportunities.

Liaoning plant office building

OPERATIONS REVIEW

In FY2018, corn refining products comprised 99.9% of the Group's revenue, same with 99.9% in the previous financial year. The financial year saw Group Revenue registering an increase, which was mainly attributable to an uptick in the weighted average selling price of our corn refining products.

The breakdown of revenue by industry in FY2018 remained largely unchanged compared to the previous year, with the food industry retaining the largest share at 32.5% (FY2017: 34.8%), followed by fermentation at 21.6% (FY2017: 17.4%) and beverage at 13.9% (FY2017: 17.8%). The remainder was made up by food chemicals, paper industry and miscellaneous.

Although corn prices are expected to climb in the future, country-wide environmental control regulations have led to higher coal prices, resulting in increased energy costs for our plants. We will continue to keep a watchful eye on the cost of raw corn materials, and upgrade our plants and equipment by embracing technology to lower production costs, reduce energy consumption and enhance operational efficiency.

Geography

Luzhou has a robust presence in China, operating five plants that are strategically located across the country. Following the investments to upgrade our plants last year, we reaped several benefits in FY2018. In Henan and Shaanxi, we benefited from improved production efficiency, while modifications at the Henan and Shaanxi plants enabled us to realise lower energy consumption during production.

LUZHOU HAS A ROBUST PRESENCE IN CHINA, OPERATING FIVE PLANTS THAT ARE STRATEGICALLY LOCATED ACROSS THE COUNTRY.

Maltose production line in our Liaoning plant

Liaoning plant full view

Owing to the firm competition for corn sweetener products in Liaoning, sales volume and output dipped during the year. In light of this, the Group will consolidate our sales strategy in Liaoning by strengthening our engagement of high value customers for the sales of F55 fructose products, in order to fortify sales and increase production to lower production costs and strengthen profitability. At the same time, we will continue to monitor market conditions and make appropriate adjustments to drive further improvements.

Technology

Building on our position as one of the leading corn refiners in China, we are committed to investing in innovation to bolster efficiency, augment our performance and champion environmental sustainability. To this end, our dedicated research and development (R&D) team recognises the value of leveraging technology to enrich our product categories, increase the value-add of our products and cater to the specific needs of our clients.

FY2018 saw our R&D team achieving breakthroughs in expanding the application of existing products to enhance profitability, through the development of a special syrup for baking products, special dextrin for condiments and flavouring syrup, among others. We also developed higher value-added products, such as fermented feed, bio-organic fertiliser and liquid bacterial fertiliser, which have promising market

WE CONTINUED TO INVEST IN UPGRADING OUR PLANTS, AS WE SOUGHT TO BOOST PERFORMANCE AND EFFICIENCY, WHILE FOSTERING ENVIRONMENTALLY SUSTAINABLE PRACTICES.

prospects. On top of this, we uncovered new ways for recovering and reusing of ion-exchange rinse water and liquid flash condensation water that lower water and energy consumption and reduce wastewater discharge and treatment costs – all of which enables greater sustainability across our operations.

During the year, we continued to invest in upgrading our plants, as we sought to boost performance and efficiency, while fostering environmentally sustainable practices. At the Shaanxi plant, we made various modifications to reduce fugitive dust, ranging from a dust removal system to reduce gas emissions, to an online monitoring system for air pollution tracking, and automated vehicle washing equipment. Meanwhile, at Sichuan and Liaoning, odour removal equipment was installed to lower waste gas emissions. In addition, we constructed odour recycling equipment at all our plants to purify wastewater. Collectively, our investments in plant upgrading enabled Luzhou to enjoy higher capacity utilisation rates and minimised production downtime arising from environmental protection regulations.

Moving forward, we will maintain our commitment to excellence, as we build on our strong track record of product quality, food safety and stringent environment controls, while consolidating our strengths to deliver long-term sustainable value for both our customers and shareholders.

FINANCIAL REVIEW

Income Statement

For the financial year ended 31 December 2018, Luzhou Bio-Chem reported revenue of RMB 2.2 billion, which represented a 9.1% increase over the previous year. This growth was driven by an increase in the sales volume and average selling price of our corn refining segment.

Compared to FY2017, the weighted average selling price of the Group's corn refining products was 6.0% higher this year, which was mainly attributable to an uptick in the prices of corn sweeteners and by-products by 7.9% and 0.9% respectively. Alongside this, export revenue surged 20.0% during the year in review, while export revenue as a percentage of total revenue climbed from 3.1% in FY2017 to 3.4% this year.

In line with the increase in revenue, gross profit grew 3.3% to RMB 216.0 million this year. Meanwhile, gross profit margins dipped to 9.7% in FY2018 compared to 10.3% last year, owing to higher corn prices that were partially offset by the year-on-year increase in the selling prices of our corn refining segment .

During the financial year, the Group's other operating income stood at RMB 27.8 million, representing a decline of RMB 75.0 million that resulted mainly from the reversal of impairment of property, plant and equipment of our Shandong subsidiary in May 2017 and the insurance claim compensation for the losses incurred from a fire at our Liaoning subsidiary recognised in FY2017.

FY2018 saw selling and distribution expenses falling by 5.5% compared to the previous year. Accounting primarily for this reduction was the drop in transportation costs, staff costs and travel expenses. Meanwhile, administrative expenses recorded an uptick of 4.1%, which stemmed from the rise in allowance for doubtful trade receivables and the increase in staff costs – including salary, social insurance payments and other welfare – that was partially offset by the reclassification of certain depreciation charges and other manufacturing overheads to operating expenses as a result of production halts of certain products. Additionally, other operating expenses eased by RMB 4.6 million to RMB 47.3 million this year, owing to the losses of about RMB 7.3 million resulting from a fire at our Liaoning subsidiary in FY2017 and the decrease in the loss on the disposal of plant and equipment of about RMB 6.8 million which was mitigated by the rise in impairment of property, plant and equipment of RMB 7.1 million and the increase in employee compensation for work-related injuries. Compared to the previous year, the Group's finance costs declined by 15.8% in FY2018, on the back of lower interest costs arising from the reduction in bank loans.

Income tax expense surged 626.9% to RMB 5.0 million this financial year. The increase stemmed from the rise in net profit generated by our Shaanxi and Shandong subsidiaries, and because certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Hence, the effective tax rate in FY2018 was higher than the statutory tax rate.

In view of the drop in other operating income, which was mitigated by the higher gross profit and the decline in operating expenses and finance costs, the Group's net loss stood at RMB 90.5 million in FY2018, representing a 170.1% decline from a net loss of RMB 33.5 million in the previous year.

Assets and Liabilities

The Group's current assets climbed by RMB 24.3 million to RMB 626.7 million as at 31 December 2018. This was brought on by the increase in inventories of RMB 46.5 million, the rise in trade receivables of RMB 2.5 million, and the uptick in other receivables, deposits and prepayments of RMB 2.5 million, which was partially offset by the reduction in cash and cash equivalents of RMB 26.5 million.

Alongside this, trade receivable turnover days came in lower at 29 days in FY2018, compared to 32 days last year. Meanwhile, inventory turnover days increased from 36 days in FY2017 to 39 days this financial year.

Non-current assets declined by RMB 95.3 million this year, owing to the depreciation of RMB 80.9 million, the impairment of property, plant and equipment of RMB 41.1 million in our Liaoning subsidiary, Sichuan subsidiary and amino acid subsidiary, and the disposal of plant and equipment of RMB 10.7 million, which was partially offset by capital expenditure of RMB 37.4 million.

Compared to the close of FY2017, current liabilities expanded by RMB 34.1 million to RMB 602.2 million as at 31 December 2018. This was in light of the increase in trade payables of RMB 57.6 million, the uptick in other payables and accruals of RMB 2.1 million and the rise in amount owing to a Director of RMB 12.7 million, which was mitigated by the decline in short-term interest-bearing loans and borrowings of RMB 40.0 million – at the end of FY2018, the pledged cash deposits dipped to RMB 76.4 million, representing a reduction of RMB 20.9 million compared to 31 December 2017. At the close of FY2018, the Group's debt equity ratio increased to 159.3 times, compared to 8.46 times as at 31 December 2017. This stemmed from 94.9% drop in total equity resulting from the net loss this year, which was partially offset by the 4.6% reduction in total bank loans and other borrowings.

Meanwhile, non-current liabilities recorded a RMB 14.5 million year-on-year decline. Contributing to this reduction was the drop in long-term interest-bearing bank loans of RMB 37.8 million, the decrease in amount owing to a Director of RMB 9.9 million and the lower deferred income of RMB 4.9 million – mainly due to the amortisation of government grants – which was partially offset by the rise in amount of RMB 38.0 million owing to a related party due to an interest-free loan that was extended to the Group.

Group shareholders' equity stood at RMB 4.8 million as at 31 December 2018, which was RMB 90.5 million lower compared to the close of FY2017.

Cash Flow

In FY2018, the Group generated net operating cash inflow of RMB 78.9 million, which comprised operating profit before changes in working capital of RMB 80.3 million, adjusted for decrease in working capital of RMB 2.4 million and RMB 3.8 million in income taxes paid.

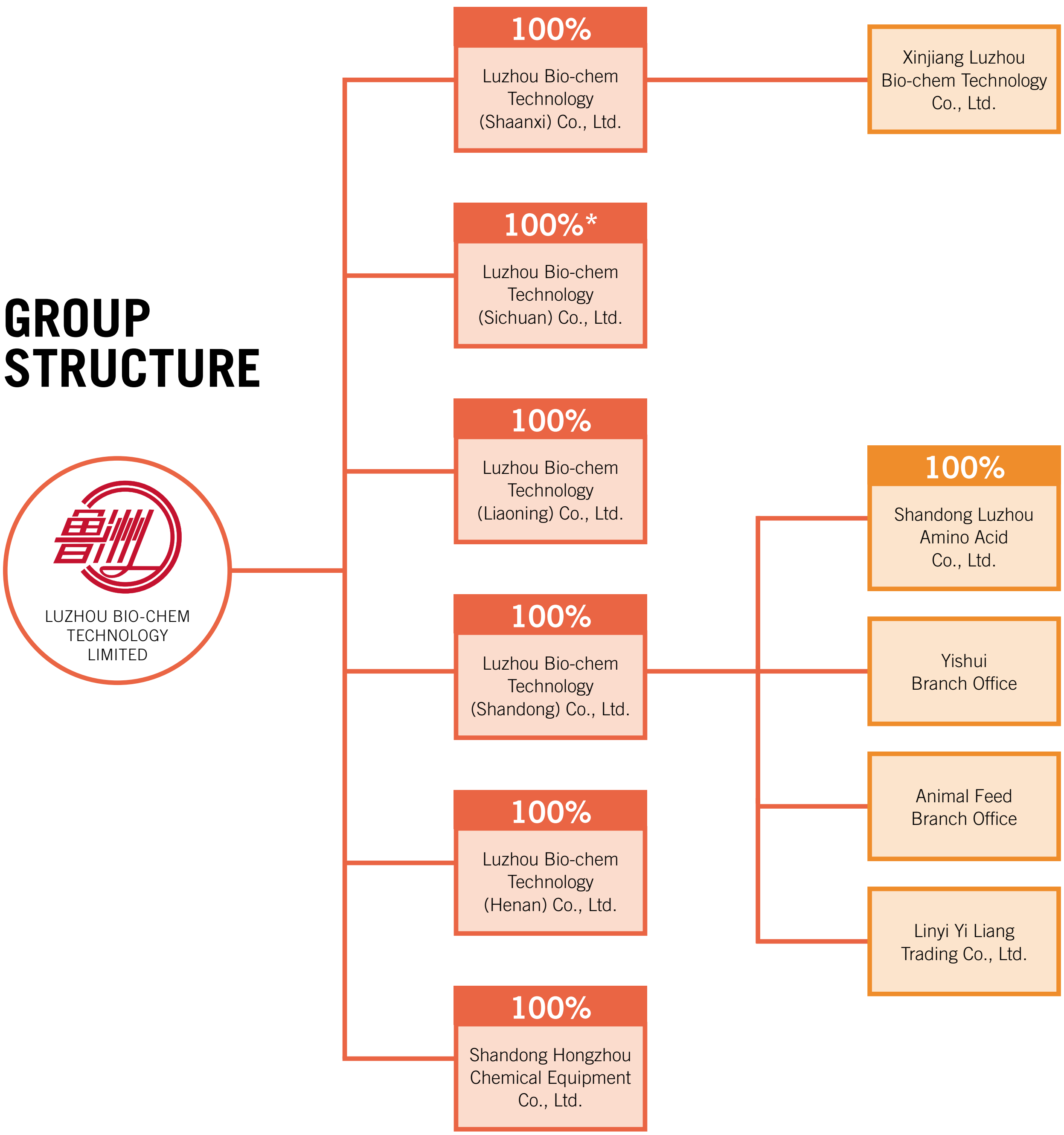
During the year, net cash outflow from investing activities amounted to RMB 24.7 million. This was brought on by the upgrading and reconstruction of our production line at our Liaoning, Shaanxi and Sichuan subsidiaries in order to meet the stricter environmental requirements implemented by the central government, and the purchase of packaging containers for our finished products.

Net cash used in financing activities stood at RMB 59.9 million in FY2018, resulting from the net reduction in total bank loans of RMB 77.8 million and interest expense payments of RMB 43.8 million. These cash outflows were mitigated by the decrease in pledged cash deposits of RMB 20.9 million, and the rise in interest-free loans from a Director and a related party of RMB 2.8 million and RMB 38.0 million respectively.

PROVEN DURABILITY

We're good at what we do. And we continue to enhance our expertise, always looking for innovative ways to sharpen our competitive edge. This is what it takes to succeed and be durable in this challenging business landscape – our ability to always deliver.

GROUP STRUCTURE



* 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).

SUSTAINABILITY REPORT

Dear Stakeholders,

FY2018, Luzhou Bio-Chem Technology Limited ("Luzhou" or "the Group") demonstrated resilience amidst an uncertain economic environment as it remained committed to long-term value creation. We continued to uphold our dedication to sustainable business practices, in line with our belief that economic growth should go hand-in-hand with environmental and social protection.

Against a challenging backdrop, we recorded a 9.1% growth in Group revenue to RMB 2.2 billion and a 3.3% increase in gross profit to RMB 216.0 million. As a leading corn refiner and one of the largest producers of maltose-related products and other corn sweeteners in China, we strive to ensure stringent standards, foster sustainable development, minimise our environmental footprint and improve the lives of the communities we operate in.

We continually seek to enhance our operational efficiency while lowering energy consumption and emissions. To this end, and as an ongoing effort to grow our business, we invested in an array of initiatives during the year. We sought to enhance the knowledge and capabilities of our people through training, and align our practices with international and regional certification standards in the areas of quality, safety and environmental protection.

We sustained our commitment to upgrading our plants and equipment to safeguard the environment. During the year, we lowered emissions and managed waste and residue from our plants in sustainable ways, from treating waste gas with odour-removing equipment and gas scrubbers, to channeling waste residue to state-approved external customers for sale, and treating wastewater with the activated sludge method. At the same time, we remain focused on empowering communities through our education and social programmes aimed at school children, the underprivileged and the elderly.

Going forward, we will continue to drive the triple bottom line of profit, people and planet and engage our stakeholders in our sustainability journey, while harnessing innovation to enhance production efficiency and foster long-term sustainable value for the Group.

Niu Ji Xing
Executive Chairman and CEO

STUDENT GRANTS

RMB
20,000

DONATED TO THE POOR

RMB
412,000

CONTRIBUTE TO THE ELDERLY

RMB
213,120

Sustainability Management

Recognising that our long-term success hinges on the welfare of our environment and communities, we embrace sustainability as a guiding principle both on strategic and operational levels. We remain focused on implementing initiatives to turn our commitments into practical reality, so as to foster sustainable development in partnership with our stakeholders.

Training and Education

In driving social sustainability, we maintained our commitment to investing in staff training throughout the financial year. More than just enhancing their knowledge in diverse areas ranging from operations to safety and social responsibility, we strive to help develop our employees' potential to the fullest.

Over the past year, we sent our employees to the following seminars:

- Training on occupational hazards to ensure the safety and well-being of our staff;
- Middle management training aimed at enhancing competencies and fostering innovation;
- New employee training to allow them to understand the company regulations and organisational structure;
- Food hazard training to improve understanding of food hazard prevention measures;
- Food safety training to gain greater knowledge and understanding of food safety;
- Quality control standards training aimed at fulfilling national standards for products;
- Pest control seminar to improve understanding of pest prevention measures;
- Fire rescue and safety management training to equip staff with the know how to handle emergency situations; and
- enzyme preparation and isomerase training to gain greater understanding of storage and production processes.

In addition, employees gained accreditation on boiler stoker operations, boiler safety management and boiler water treatment. Staff also picked up certification that armed them with the ability to handle cracking process operations, hydrogenation process operations and hazardous chemical products.

Community Engagement

We value the importance of contributing to the lives of the less fortunate within our community. As part of our efforts to foster social sustainability, we contributed towards the education of children and youth as well as the needs of the underprivileged and elderly. In the area of education, we continued our annual contribution of RMB 20,000 towards student grants in Fourth Senior High School. In addition, we initiated a RMB 60,000 contribution this year towards sponsoring cultural activities in village nearby.

To support the needs of the poor, we launched a RMB 312,000 fund to support their healthcare needs and contributed RMB 100,000 to develop access to clean, safe drinking water for the underprivileged. Beyond this, Luzhou demonstrated its commitment towards the needs of the elderly by sustaining its yearly contribution to山东省临沂市沂水县杨家庄子, amounting to RMB 213,120, or RMB 60 per person per month.

Quality, Food Safety and Environmental Management Certifications

While upholding environmental sustainability, we strive to align our business practices to international and regional standards in the areas of quality, food safety and environmental management. Our efforts in adhering to stringent standards have enabled us to attain various certifications from international quality standards including ISO 9001, ISO 14001, FSSC 22000, OHSAS 18001, HACCP as well as Star-K Kosher and Halal certificates.

The following represents a comprehensive list of the accreditations received by our plants in Shandong, Shaanxi, Liaoning, Henan and Sichuan that are valid as of 31 December 2018.

Category	Certifications
Food safety management system	• Halal certification • Indonesian Ulema Council (MUI) certification – in compliance with HAS 23000 • STAR-K Kosher certification • Food Safety System Certification (FSSC) 22000 version 4.1 – in compliance with GB/T22000-2006 and ISO 22000:2005 • Non-Genetically Modified Organisms (GMO) certification – in compliance with EC 1829-2003 and EC 1830-2003 • HACCP certification • Quality Assurance Management certificate – in compliance with ISO 9001:2015 and GB/T 19001-2016 • Occupational Health and Safety Management (OHSAS) certificate – in compliance with OHSAS 18001:2007 and GB/T 28001-2011
Environmental management system	• Environmental Management System Certification – in compliance with ISO 14001:2015 and GB/T 14001-2016
Quality assurance, business management, energy savings and environmental controls	• Measurement Management System certificate – in compliance with GB/T 19022-2003 and ISO 10012:2003 • Sichuan brand-name product
Effective and sound business structure	• Good Standardising Practice Certificate – in compliance with GB/T 15496-2003, GB/T 15497-2003, GB/T 15498-2003
Technical standards	• Laboratory Accreditation Certificate – in compliance with ISO/IEC 17025:2005
Energy saving	• Investment in energy saving and recycle programme – received government grant of RMB 5.96 million • 2016 Energy Saving Pioneer Industry Status • Yishui County Energy Saving Outstanding Achievement Award (for technological improvement of corn sweetener processes)
Reward for exports	• Overseas exhibition grant – received government grant of RMB 0.17 million
Labour relations	• 2016 Pioneer Trade Union status
Product innovation	• 2017 “National Agricultural Products Industry investment Trade Fair” Quality Product – awarded RMB 200,000
Agricultural industrialisation	• Henan Leading Enterprise in agricultural industrialisation
Economic benefits	• Xiping County 2016 Top 10 Industrial Enterprises • Corporate tax award – awarded RMB 10,000 • Top 10 Economic and Innovative Enterprise – awarded RMB 200,000

Upgrading Plants and Equipment

At Luzhou, we seek to minimise our environmental impact and champion sustainable practices by continuing to invest in upgrading our facilities. Through a combination of energy-efficient practices, resource conservation, waste management and use of innovative technologies, we strive to enhance our production efficiency while minimising energy consumption and emissions.

During the year, we carried out several upgrading works at our facilities to enable us to fulfil the government's environmental requirements. In the area of wastewater management, Luzhou constructed phosphorous removal facilities aimed at treating the wastewater at the Liaoning and Shandong plant. Aside from this, all the plants employ the activated sludge method to treat wastewater before it is channeled to the sewage treatment plant via the city pipes. In addition, wastewater at all our plants is passed through an odour recycling installation for purification to ensure it fulfils environmental protection standards. Apart from this, we invested RMB 2.3 million towards installing gas scrubbers and activated carbon filters to reduce odours at our Sichuan plant. Meanwhile, at Henan, we installed an online monitoring system to track the discharge of nitrogen in real-time, constructed gas scrubbers to reduce sulphur dioxide emissions, and replaced the open-top rubbish bins with covered ones to prevent insect breeding and odour spread.

As part of our continuous efforts to comply with environmental protection regulations, we invested RMB 4.5 million to install a denitrification and centrifugal agglomeration dust removal system to purify flue gas emissions at the Shaanxi plant and channeled RMB 450,000 towards an ultra-clean continuous emission monitoring system (CEMS) to accurately monitor flue gas emissions online at the same plant. In addition, we invested RMB 800,000 to construct pulse dust collectors to remove dust from exhaust gas at Shaanxi to fulfil waste gas emissions regulations. Beyond this, we channeled RMB 31,000 towards installing a LED screen at Shaanxi to enable the online monitoring results of boiler flue gas and wastewater to be displayed. At the same time, our RMB 1.0 million investment at Shanxi went towards installing a fully enclosed coal yard, coal conveying equipment and automated vehicle washing equipment to reduce fugitive dust, a PM10 online monitoring system for air pollution tracking, sprinkler facilities and road hardener to reduce dust and fugitive dust prevention facilities, all of which allowed us to better safeguard the environment.

WE INVESTED RMB 4.5 MILLION TO INSTALL A DENITRIFICATION AND CENTRIFUGAL AGGLOMERATION DUST REMOVAL SYSTEM TO PURIFY FLUE GAS EMISSIONS AT THE SHAANXI PLANT

On top of this, we formulated contingency plans for heavy pollution days that can be activated for emergency situations.

Beyond enhancing environmental sustainability, our investments in upgrading our plants and equipment helped us to enhance our production efficiency. Through the RMB 2.0 million upgrading of the waste heat evaporator at Liaoning, we not only lowered exhaust gas emissions and steam consumption, but reaped energy savings and reduced gas consumption. We also channeled RMB 1.0 million towards replacing the three-phase separators and water distributors of two anaerobic wastewater treatment towers at the Henan plant, which facilitated stable operations and generated additional income through the sale of the sludge reside. Similarly, the sugar residue, slag and other waste from the Shandong, Liaoning, Shaanxi and Sichuan plants were sold to customers with state-approved qualifications. Beyond this, our RMB 115,000 investment to replace the two outmoded forklifts with new ones at the Shaanxi plant allowed us to satisfy environmental protection requirements by reducing the exhaust emissions. Aside from reducing production costs, these measures also served to foster greater environmental sustainability.

Looking Ahead

Collectively, our initiatives represent a holistic approach towards ensuring sustainability. Moving forward, we will continue to focus on realising sustainable practices through championing sustainable practices that not only enhance our efficiency, but contribute towards improving the environment and social well-being of the communities we operate in.

BOARD OF DIRECTORS

NIU JI XING
Founder and Executive Chairman & Group Chief Executive Officer

Niu Ji Xing is our Founder and Executive Chairman & Group 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 and Shaanxi Luzhou. 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).

WANG DE YOU
Executive Director

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.

GAO ZHONG FA
Executive Director

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 recognized as a contributor to the National Food Product Advanced Management of Science and Technology (全国食品工业技术先进技术管理工作者).

TEOH TEIK KEE
Lead Independent Director

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.

KONG XIANG CHAO
Independent Director

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.

ONG WEI JIN
Independent Director

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, CFM Holdings Ltd and Camsing Healthcare Ltd.

SENIOR MANAGEMENT

ZHANG KE
Group Deputy General Manager

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 Shaanxi Luzhou. 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.

KOH PEE KEAT
Chief Financial Officer

Koh Pee Keat is our Chief Financial Officer responsible for the accounting, financial reporting and other financial functions 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-commence software provider, overseeing its operation, finance and legal matters. Prior to joining our Group, he was the senior vice president/ Chief Financial Officer of the Westcomb Financial Group Limited. Mr Koh holds a Bachelor of Arts (Honours) degree with major in Accounting and Financial Management from the University of Sheffield.

NIU JI CHAO
General Manager

Niu Ji Chao is the General Manager of our Luzhou bio-chem technology (Shandong) Co. Ltd.(the "Shandong Luzhou") responsible for the overall management of Shandong Luzhou'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.

ZHAO YU DONG
General Manager

Zhao Yu Dong is the General Manager of our Luzhou bio-chem technology (Shaanxi) Co. Ltd.(the "Shaanxi Luzhou") responsible for the overall management of Shaanxi Luzhou's business and operations. He started his career with Shandong Luzhou in 1998 as a sales supervisor of the Tianjin sales office, responsible for the sales and marketing management. He was Promoted to General manager of our Shaanxi Luzhou in May 2000. He was transferred to our headquarter as the deputy general manager of the Group and the general manager of the sales and marketing. In September 2014, he was reassigned as the General Manager of our Shaanxi Luzhou.

During his term of office, he has been awarded various honorary titles, such as "Youth pace-setter" of Linyi city, "top 100 management advanced individual" of the national food industry, "outstanding entrepreneur" in national food safety management, "top 10 outstanding young people" of Xianyang city, and "management advanced individual" by China Biotech Fermentation Industry Association. He was appointed as a Representative of Municipal People's Congress of the Xianyang city in Shaanxi province.

ZHAO YU BIN
Manager, R&D

Zhao Yu Bin is the Manager of Luzhou R&D Centre, primarily responsible for the research and development of new products, new technique and new process. He joined Shandong Luzhou Food Group Co. Ltd. in 1997 as the manager of quality control department until 2003. He was promoted and transferred to be the manager of the Luzhou R&D Centre.

Mr Zhao graduated from Shandong Polytechnic University(山东轻工业学院) in July 1990, specialising in fermentation engineering. He is also certified as a Senior Engineer.

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)

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AUDITORS
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Singapore 069536
Partner in charge: Mr Tan Chee Tyan
(Appointed with effect from financial year 2015)

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 2018 ("**FY2018**"), 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:

- providing leadership, setting strategic objectives and ensuring that the requisite financial and manpower resources are available for the Group to meet its objectives;

- 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.

The number of meetings held and attendance at the meetings during FY2018 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. In addition, in accordance with Rule 210(5)(d) of the SGX Listing Manual, a director will not be independent if he is employed by the Group for the current or any of the past three financial years or if he has an immediate family member who is employed or has been employed by the Group for the past three financial years and whose remuneration is determined by the RC.

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. Particular attention is given to review and assess the independence of any director who has served beyond nine years from the date of his first appointment as at the end of FY2018, taking into account the need for progressive refreshing of the Board. The independent directors, Mr Kong Xiang Chao, Mr Teoh Teik Kee and Mr Ong Wei Jin, have each served the Board beyond nine years and they were subject to rigorous review by the Board. The Board has considered the performance of the independent directors and noted that they had participated, deliberated and expressed their views independently at all times, presented objective and constructive challenges to the assumptions and viewpoints of the Management and the Board has benefited from valuable insight from their presence. The Board has also considered that there is no need for progressive refreshing of the Board currently. The Board considers that each of the independent directors concerned brings invaluable expertise, experience and knowledge to the Board. They are familiar with the business of the Group and will continue to contribute positively to the deliberation of the Board and Board Committees. The Board has determined that the independence of character and judgement of each of the independent directors was not in any way affected or impaired by their length of service and is satisfied that they can continue to discharge their duties objectively.

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, and meet if necessary, to discuss matters related to the Group, including the performance of the Management, without the presence 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 positions 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. Mr Niu Ji Xing is the Executive Chairman and CEO.

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	28 April 2017	None	None
Gao Zhong Fa	Executive Director	13 May 2005	28 April 2016	None	None
Wang De You	Executive Director	13 May 2005	26 April 2018	None	None
Kong Xiang Chao	Independent Director	13 May 2005	28 April 2016	None	None
Teoh Teik Kee	Lead Independent Director	13 May 2005	28 April 2017	None	City e-Solutions Ltd Hwang Capital (Malaysia) Berhad
Ong Wei Jin	Independent Director	13 May 2005	26 April 2018	China XLX Fertiliser Ltd CFM Holdings Ltd Camsing Healthcare Limited	None

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

As none of the directors hold more than four 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. No alternate directors have been appointed on the Board.

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' Statement" 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 appointment and removal of the Company Secretary is determined by the Board as a whole.

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 RC is of the view that it is currently not necessary to have contractual provisions to allow the Company to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

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 FY2018:

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
Up to S$250,000					
Gao Zhong Fa	100	-	-	-	100
Wang De You	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	100	-	-	-	100
Li Na[3]	100	-	-	-	100
Niu Ji Chao	100	-	-	-	100
Zhao Yu Bin	100	-	-	-	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.
(3) Ms Li Na resigned as Group Senior Finance Manager on 31 July 2018.

The aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO) of the Group in FY2018 amounted to S$299,050.

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 FY2018.

The Company currently does not have any employee share schemes.

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, compliance and information technology 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 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 satisfied that the internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2018.

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. No member of the AC is a former partner or director of the Company's existing external auditors.

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 FY2018, the fees paid by the Company to the external auditors for audit services and non-audit services amounted to RMB1,029,183 and RMB15,251, 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 victimization for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. Contact details of the AC have been made available to all employees.

Internal 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 that the Group's internal audit function is independent, effective and adequately resourced.

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.

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

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.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. A shareholder who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such 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. The Company puts all resolutions to vote by poll and announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the AGM.

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 Company and its minority 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 FY2018, are as follows:

Name of interested person and nature of transaction	Aggregate value of all transactions during FY2018 (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 Shaanxi Xingping Luzhou Sugar Products Co., Ltd	2,100	-
Interest at 1.88% per annum payable for loan of S$2.0 million granted by Niu Ji Xing	184	-
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 Directors' Statement 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 FY2018 or if not then subsisting, which were entered into since the end of FY2017.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Luzhou Bio-Chem Technology Limited ("the Company", and together with its subsidiaries, "the Group") for the financial year ended 31 December 2018 and the statement of financial position and changes in equity of the Company as at 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated 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 financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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.

2. Directors

The directors of the Company in office at the date of this statement are:

Executive directors
Niu Ji Xing
Gao Zhong Fa
Wang De You

Independent non-executive directors
Kong Xiang Chao
Teoh Teik Kee
Ong Wei Jin

3. 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.

4. 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 had interests in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) 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. of ordinary shares)				
Niu Ji Xing	7,820,700[(2)]	7,820,700[(2)]	236,925,000[(1)]	236,925,000[(1)]
Gao Zhong Fa	22,800,000	22,800,000	-	-
Wang De You	15,150,000	15,150,000	-	-
Teoh Teik Kee	187,500	187,500	-	-
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 statement, 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 2019.

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 statement 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, the SGX Listing Manual and the Code of Corporate Governance.

In performing those functions, the Audit Committee reviews:

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

(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) the 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.

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.

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.

7. Auditors

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

On behalf of the directors

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

Singapore
29 March 2019

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Luzhou Bio-chem Technology Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 105.

In our opinion, the accompanying financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Overview

Audit Approach	We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.
Materiality	As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.
Scope of Audit	For the audit of the current financial year's financial statements, we identified 3 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics. These significant components were audited by other Mazars offices as component auditors under our instructions. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.
Area of Focus	We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Impairment assessment of property, plant and equipment ("PPE") (refer to Note 11 (i) to the financial statements)	
As at 31 December 2018, the carrying value of PPE held by the Group was RMB 546.18 million, net of cumulative impairment losses of RMB 150.18 million. The Group continued to operate under challenging conditions in People's Republic of China during 2018, resulting in certain cash generating units ("CGU") incurring consecutive losses. These conditions may have an adverse impact on the recoverable amount of the affected PPE. Management assessed as of 31 December 2018 for any significant changes in the recoverable amount of the PPE which will result in further impairment losses to be made or reversal of impairment losses for the financial year then ended. We focused on this area because the determination of the recoverable amount of the PPE involved significant judgement and estimates by the directors who considered the reasonableness of the following, where applicable, during their assessment: • Projections of cash flows used in calculating the value-in-use; and • Discount rate and the growth rate used in calculating the value-in-use of the CGU to which the PPE belong.	Our audit procedures included, but were not limited to, the following: • With the assistance of our in-house expert, we assessed the reasonableness of the key inputs and assumptions applied by management in their cashflow projections, with reference to information such as historical and expected trend and performance, the latest budgets/forecasts approved by management and the current economic conditions and the outlook thereof; • Challenged the key assumptions used by management in the calculation of the value-in-use of CGU, which included the discount rate, with reference to the weighted average cost of capital obtained from independent sources and other inputs; and the growth rate; and • Assessed the adequacy and appropriateness of the corresponding disclosures made in the financial statements.

Key Audit Matters (Cont'd)

Matter	Audit response
Loss allowance for trade receivables (refer to Note 15 and Note 30 to the financial statements)	
As at 31 December 2018, the carrying amount of the Group's trade receivables, net at loss allowance of expected credit loss ("ECL") of RMB 15.12 million, amounted to RMB 180.13 million. The Group adopted SFRS (I) 9 *Financial Instruments* during the year which introduces a new, forward-looking, expected credit losses ("ECL") impairment model which takes into account reasonable and supportable forward-looking information, which will generally result in the earlier recognition of impairment provisions. This requires a number of significant judgments from management. The Group uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last five years prior to the reporting date for various customer groups that are assessed through the age analysis, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. The Group utilised the "simplified approach" for the trade receivables. Trade receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our audit procedures included, but were not limited to, the following: • Obtained an understanding of and assessed the relevance and appropriateness of the key controls and processes put in place by management to assess trade receivables for impairment losses; • Assessed reasonableness of management's expected credit losses in consideration of the ratio of historical actual credit losses against trade receivables for the past five financial years and management's assumptions on forward looking factors affecting the recoverability of the trade receivables; • Reviewed the nature of the ongoing business relationships and latest correspondences with the customers on the status of the outstanding receivables; • Reviewed the ageing analysis and checked to the subsequent receipts from the significant debtors; and • Assessed the appropriateness and sufficiency of the corresponding disclosures made into the financial statements.

Key Audit Matters (Cont'd)

Matter	Audit response
Cash and bank balances (refer to Note 17 to the financial statements)	
Cash at bank was highlighted as one of the key risk areas in the Audit Practice Bulletin No. 1 of 2009 *Audit considerations in the current economic environment* issued by the ACRA in 2009 when there was a downturn in the economic environment. We focused on this area in consideration of the continued volatility in the current economic environment and the significance of the cash and bank balances recorded by the Group as of 31 December 2018.	Our audit procedures included, but were not limited to, the following: • Performed all bank confirmations for bank balances (including in-person visits to banks in and via courier service in People's Republic of China ("PRC")); • Tested interbank transfers against underlying supporting documentation on a sample basis; • Reviewed the year end bank reconciliations and tested the accuracy of the closing bank balances; and • Physically counted the cash on hand balances.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	**2,222,810**	2,038,317
Cost of sales		**(2,006,807)**	(1,829,173)
Gross profit		**216,003**	209,144
Other item of income			
Other operating income	5	**27,754**	102,788
Other items of expenses			
Selling and distribution expenses		**(124,247)**	(131,463)
Administrative expenses		**(113,632)**	(109,134)
Other operating expenses		**(47,325)**	(51,893)
Finance expenses	6	**(44,022)**	(52,265)
Loss before taxation	7	**(85,469)**	(32,823)
Income tax expense	9	**(5,045)**	(694)
Loss for the financial year, representing total comprehensive loss for the financial year		**(90,514)**	(33,517)
Attributable to:			
Owners of the Company		**(90,514)**	(33,517)
Loss per share attributable to the owners of the Company (RMB cents per share):			
Basic and diluted	10	**(15.2)**	(5.6)

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 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000	Company 2018 RMB'000	Company 2017 RMB'000
Non-current assets					
Property, plant and equipment	11 (i)	**546,180**	640,389	**9**	-
Land use rights	11 (ii)	**42,606**	43,675	**-**	-
Other investments	12	**2,060**	2,060	**-**	-
Investments in subsidiaries	13	**-**	-	**321,044**	336,954
		590,846	686,124	**321,053**	336,954
Current assets					
Inventories	14	**234,981**	188,437	**-**	-
Trade receivables	15	**180,132**	177,594	**-**	-
Other receivables, deposits and prepayments	16	**47,843**	45,359	**48**	35
Income tax prepaid		**-**	684	**-**	-
Cash and cash equivalents	17	**163,722**	190,258	**1,152**	3,266
		626,678	602,332	**1,200**	3,301
Total assets		**1,217,524**	1,288,456	**322,253**	340,255
Equity attributable to owners of the Company					
Share capital	18	**308,723**	308,723	**308,723**	308,723
Statutory reserve	19	**91,380**	91,380	**-**	-
Accumulated (losses)/profits		**(395,269)**	(304,755)	**(4,652)**	19,718
Total equity		**4,834**	95,348	**304,071**	328,441
Non-current liabilities					
Interest-bearing liabilities	21	**539,390**	577,150	**-**	-
Amount owing to a related party	20	**38,000**	-	**-**	-
Amount owing to a director	20	**-**	9,864	**-**	9,864
Deferred income	22	**32,518**	37,401	**-**	-
Deferred taxation	23	**589**	589	**-**	-
		610,497	625,004	**-**	9,864
Current liabilities					
Trade payables	24	**304,811**	247,185	**-**	-
Other payables	25	**95,905**	93,795	**1,047**	995
Deferred income	22	**5,046**	5,355	**-**	-
Amount owing to a related party	20	**2,875**	1,650	**-**	-
Amount owing to subsidiaries	20	**-**	-	**4,120**	836
Amount owing to a director	20	**13,015**	119	**13,015**	119
Interest-bearing liabilities	21	**180,000**	220,000	**-**	-
Income tax payable		**541**	-	**-**	-
		602,193	568,104	**18,182**	1,950
Total liabilities		**1,212,690**	1,193,108	**18,182**	11,814
Total equity and liabilities		**1,217,524**	1,288,456	**322,253**	340,255

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 2018

	Share capital	Statutory reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 1 January 2017	308,723	91,380	(265,379)	134,724
Loss representing total comprehensive loss for the financial year	-	-	(33,517)	(33,517)
Dividends (Note 26)	-	-	(5,859)	(5,859)
At 31 December 2017	308,723	91,380	(304,755)	95,348
Loss representing total comprehensive loss for the financial year	-	-	(90,514)	(90,514)
At 31 December 2018	308,723	91,380	(395,269)	4,834

	Share capital	Accumulated profits/(losses)	Total
	RMB'000	RMB'000	RMB'000
Company			
At 1 January 2017	308,723	69,141	377,864
Loss representing total comprehensive loss for the financial year	-	(43,564)	(43,564)
Dividends (Note 26)	-	(5,859)	(5,859)
At 31 December 2017	308,723	19,718	328,441
Loss representing total comprehensive loss for the financial year	-	(24,370)	(24,370)
At 31 December 2018	308,723	(4,652)	304,071

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 2018

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Loss before taxation		**(85,469)**	(32,823)
Adjustments for:			
Depreciation of property, plant and equipment	11(i)	**79,784**	83,981
Amortisation of land use rights	11(ii)	**1,069**	1,069
Amortisation of government grant	22	**(5,384)**	(6,718)
Gain on disposal of property, plant and equipment, net		**(67)**	(557)
Write off of property, plant and equipment		**-**	7,039
Interest expense	6	**44,022**	52,265
Interest income	5	**(1,753)**	(2,504)
Reversal of impairment loss of property, plant and equipment	11(i)	**-**	(67,441)
Impairment loss of property, plant and equipment	11(i)	**41,134**	34,000
Allowance of write-down of inventories, net	14	**1,030**	440
Reversal of loss allowances for trade receivables	15	**-**	(5)
Loss allowance for trade and other receivables	15 & 16	**5,940**	1,889
Operating cash flows before movements in working capital		**80,306**	70,635
Movements in working capital			
Inventories		**(47,574)**	(13,323)
Trade receivables		**(7,022)**	5,175
Other receivables, deposits and prepayments		**(3,940)**	71,840
Trade payables		**57,626**	13,231
Other payables		**2,110**	(4,920)
Amount owing to a related party		**1,225**	1,050
Cash generated from operations		**82,731**	143,688
Income taxes paid		**(3,820)**	(1,639)
Net cash generated from operating activities		**78,911**	142,049
Investing activities			
Purchase of property, plant and equipment	11(i)	**(37,429)**	(59,991)
Proceeds from disposal of property, plant and equipment		**10,787**	19,454
Interest income received		**1,753**	2,504
Proceeds from government grants		**192**	6,061
Net cash used in investing activities		**(24,697)**	(31,972)
Financing activities			
Payment of dividend		**-**	(5,859)
Interest expense paid		**(43,838)**	(52,146)
Net decrease in pledged cash deposits		**20,880**	48,720
Amount owing to a related party	20	**38,000**	-
Amount owing to a director		**2,848**	9,864
Proceeds from interest-bearing loans and borrowings		**785,215**	1,032,650
Repayment of interest-bearing loans and borrowings		**(862,975)**	(1,205,500)
Net cash used in financing activities		**(59,870)**	(172,271)
Net decrease in cash and cash equivalents		**(5,656)**	(62,194)
Cash and cash equivalents at beginning of financial year		**92,978**	155,172
Cash and cash equivalents at end of financial year	17	**87,322**	92,978

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

Reconciliation of assets/liabilities arising from financing activities

	1 January 2018	Financing cash (outflows)/inflow	Non-cash movements Interest expenses	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Bank borrowings	**797,150**	(121,598)	43,838	**719,390**
Amount owing to a director	**9,983**	2,848	184	**13,015**

	1 January 2017	Financing cash (outflows)/inflow	Non-cash movements Interest expenses	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Bank borrowings	970,000	(224,996)	52,146	797,150
Amount owing to a director	-	9,864	119	9,983

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

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

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 13.

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

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 were authorised for issue by the board of directors on 29 March 2019.

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 (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I) INT") 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.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the SFRS(I)s as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I)s contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

In the initial adoption of its first SFRS(I)s financial statements and each interim financial report presented in accordance with SFRS(I) 1-34 *Interim Financial Reporting*, the Group has applied SFRS(I) 1 *First-Time Adoption of Singapore Financial Reporting Standards (International)* ("SFRS(I) 1") which is equivalent to IFRS 1 *First-Time Adoption of International Financial Reporting Standards*.

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

2.1 Basis of preparation (Cont'd)

Singapore Financial Reporting Standards (International) (Cont'd)

SFRSs and SFRS(I) INT issued but not yet effective

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

		Effective date (annual periods beginning on or after)
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Various	Annual Improvements to SFRSs 2015-2017 Cycle - Amendments to SFRS(I) 3 *Business Combinations: Additional guidance for applying the acquisition method to particular types of business combinations* - Amendments to SFRS(I) 1-12 Income taxes: *Measurement, Recognition of current and deferred tax and borrowing costs* - Amendments to SFRS(I) 1-23 *Borrowing costs: Borrowing costs eligible for capitalisation*	1 January 2019

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

The Group and the Company do not intend to adopt any of the above new and revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2018. Management anticipates that the adoption of the aforementioned revised and new standards will not have a material impact on the financial statements of the Group or Company in the period of their initial adoption.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Lease*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* to set out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single, on-balance sheet accounting model for lessees.

The Group plans to apply SFRS(I) 16 on 1 January 2019 and will apply the modified retrospective approach to recognise the cumulative effect of initially applying SFRS(I) 16 on 1 January 2019. Accordingly, the comparative financial statements will not be restated.

SFRS(I) 16 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct cost incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of "low-value" assets and qualifying short-term leases entered into by lessees can be exempted from the new recognition criteria.

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

2.1 Basis of preparation (Cont'd)

SFRS(I) 16 *Leases* (Cont'd)

Lessee

The Group plans to elect to use the exemption proposed by the standard on lease contracts for which the underlying asset is of low value and where the lease is short-term. The Group also plans to elect not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 January 2019. In the determination of the lease term as a lessee, the Company plans to apply the practical expedient to use hindsight for contracts which contains options to extend or terminate the lease.

Preliminarily, based on the currently known and reasonable estimable information relevant to its assessment, as at 1 January 2019, the Group expects an increase in right-of-use assets and an increase in lease liabilities which are not material impact.

Lessor

The Group does not expect any significant impact on its financial statements as a lessor in the initial adoption of SFRS(I) 16.

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 circumstances 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.

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

2.2 Basis of consolidation (Cont'd)

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 accumulated profits) 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 SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

2.3 Business combinations

Business combinations from 1 January 2017

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. For each business combination, the Group determines whether to measure the non-controlling interests in the acquire at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* ("SFRS(I) 3") 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 SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

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

2.3 Business combinations (Cont'd)

Business combinations from 1 January 2017 (Cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 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 is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

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

2.3 Business combinations (Cont'd)

Business combinations before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I), 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.

2.4 Revenue recognition

Revenue from contracts with its customers is recognise goods when or as the Group satisfies a performance obligation by transferring a promised goods or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

Sale of goods

Revenue from the sale of corn refining products is recognised at a point in time when the control of the goods is transferred to the customer (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

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. Summary of significant accounting policies (Cont'd)

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.

2.7 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.

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.

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 currency 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 are 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.

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. Summary of significant accounting policies (Cont'd)

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 (if any). 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, and only if, all the following have been demonstrated:

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

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

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

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

2. 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

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes 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 instruments from 1 January 2018

These accounting policies are applied on and after the initial application date of SFRS(I) 9, (i.e. 1 January 2018).

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

2.13 Financial instruments (Cont'd)

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets 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. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15") in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost and fair value through profit or loss ("FVTPL"). The classification at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVTOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

2.13 Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

The Group uses a practical expedient to recognise the ECL for trade receivables, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial 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.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Initial recognition and measurement

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

Financial liabilities are classified as other financial liabilities.

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

2.13 Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Other financial liabilities

Trade and other payables, amount owing to a related party, a director and subsidiaries

Trade and other payables, amount owing to a related party, a director and subsidiaries 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. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.5 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Derecognition of financial liabilities

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

Financial assets before 1 January 2018

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 and available-for-sale financial assets ("AFS"). The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

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

AFS financial assets

Certain equity instruments and debt securities held by the Group are classified as AFS financial assets if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS financial assets are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the year.

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

2.13 Financial instruments (Cont'd)

Financial assets before 1 January 2018 (Cont'd)

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.

With the exception of AFS financial assets, 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.

In respect of AFS financial assets, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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.

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

Lessee

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.

Lessor

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on an straight-line basis over the lease term.

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.

2.18 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 operating income” in the period in which they become receivable.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

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

2.20 Segment reporting

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

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 property, plant and equipment

An impairment exists when the carrying value of an asset 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 future cash flow is expected to result from the use of the asset and its possible disposal 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 calculation purposes.

3.2 Key sources of estimation uncertainty

Measurement of ECL of trade receivables

The Group uses allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last five years prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The carrying amount of the Group's trade receivables, net at loss allowance of ECL of RMB 15,121,000 (2017: RMB 10,637,000), amounted to RMB 180,132,000 as at 31 December 2018 (2017: RMB 177,594,000).

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 amount of the Group's property, plant and equipment as at 31 December 2018 were RMB 546,180,000 (2017: RMB 640,389,000).

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

3.2 Key sources of estimation uncertainty (Cont'd)

Impairment of investments in subsidiaries

An assessment is made on whether there are indicators that the Company's investments are impaired. Where applicable, the Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2018 was RMB 321,044,000 (2017: RMB 336,954,000).

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 saleability 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 as at 31 December 2018 was RMB 234,981,000 (2017: RMB 188,437,000).

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 amount of the Group's and Company's current tax payable as at 31 December 2018 were RMB 541,000 (2017: RMB Nil) and RMB Nil (2017: RMB Nil) respectively.

4. Revenue from contracts with customers

	Group	
	2018 RMB'000	**2017 RMB'000**
Sale of goods	**2,222,810**	2,038,317

Revenue is disaggregated to corn refining and others segment. The timing of transferred of goods is determined at a point in time.

The disaggregation is based on the location of customers from which revenue was generated:

	Reportable segments					
	Corn refining		Others		Total	
	2018 RMB'000	**2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**
Geographical markets						
PRC	**2,144,364**	1,973,561	**2,286**	1,288	**2,146,650**	1,974,849
Overseas	**76,160**	63,468	**-**	-	**76,160**	63,468
	2,220,524	2,037,029	**2,286**	1,288	**2,222,810**	2,038,317

As the Group does not have any contract that have expected duration of more than a year, the Group has applied the practical expedient permitted under SFRS(I) 15 for those performance obligations.

4. Revenue from contracts with customers (Cont'd)

Contract balances

The following table provides information about contract liabilities from contracts with customers:

	Group	
	2018 RMB'000	2017 RMB'000
Contract liabilities		
Advances from customers (Note 25)	**23,648**	20,967

	Group	
	2018 RMB'000	2017 RMB'000
Contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	**20,967**	23,586

There were no significant changes in the contract liabilities during the reporting period.

5. Other operating income

	Group	
	2018 RMB'000	2017 RMB'000
Gain on sale of consumables and waste materials	**12,197**	11,224
Gain on disposal of property, plant and equipment	**67**	557
Government grants and subsidies (Note A)	**3,641**	3,063
Amortisation of government grant (Note 22)	**5,384**	6,718
Interest income from banks	**1,753**	2,504
Income from penalties imposed on suppliers	**1,957**	842
Foreign currencies exchange gain	**288**	-
Insurance claims (Note B)	**229**	9,829
Reversal of impairment loss of property, plant and equipment (Note 11(i))	**-**	67,441
Rental income	**480**	-
Others	**1,758**	610
	27,754	102,788

Note A:

Government grants and subsidies relate to monetary incentives received from government agencies in People's Republic of China ("PRC"), include assistance for purchases of industrial products and agricultural products, enterprise technology award, post stabilising subsidies, special subsidies for the prevention and control of air pollution, patent subsidies and special fund for our postdoctoral workstation.

Note B:

On 5 February 2017, a fire occurred at the plant of a subsidiary of the Group, Luzhou Bio-chem Technology (Liaoning) Co., Ltd. Subsequently, an insurance claims of RMB 9,700,000 has been received.

6. Finance expenses

	Group	
	2018 RMB'000	2017 RMB'000
Interest expense on trade financing	**249**	289
Interest expense on bank loans	**43,588**	51,856
Interest expense – others	**185**	120
	44,022	52,265

7. Loss before taxation

	Group	
	2018 RMB'000	2017 RMB'000
Loss before taxation is arrived at after charging/(crediting):		
Audit fees to auditors of the Company	**1,029**	977
Non-audit fees paid to auditors of the Company	**15**	16
Total fees paid to auditors of the Company(2)	**1,044**	993
Cost of inventories included in cost of sales	**2,006,807**	1,829,173
Foreign currencies exchange (gain)/loss, net(3)(5)	**(288)**	245
Operating lease expenses(1)(2)	**2,627**	3,094
Research and development expenses(2)	**206**	184
Depreciation of property, plant and equipment(1)(2)(4)	**79,784**	83,981
Amortisation of land use rights(2)	**1,069**	1,069
Gain on disposal of property, plant and equipment, net(3)(5)	**(67)**	(557)
Write-off of property, plant and equipment(3)	**-**	7,039
Reversal of impairment of property, plant and equipment(3)	**-**	(67,441)
Impairment loss of property, plant and equipment(3)	**41,134**	34,000
Allowance for doubtful trade and other receivables, net(2)	**5,940**	1,884
Staff costs (excluding directors' remuneration) (Note 8)(1)(2)(4)	**143,328**	146,303
Utilities charges(1)(2)(4)	**11,742**	15,689
Transportation costs(1)	**87,695**	93,827

(1) Included in selling and distribution expenses

(2) Included in administrative expenses

(3) Included in other operating expenses

(4) Included in cost of sales

(5) Included in other operating income

Depreciation of property, plant and equipment totalling RMB 56,104,000 (2017: RMB 56,867,000) is recognised as an expense in the cost of sales.

8. Staff costs

	Group	
	2018 RMB'000	**2017 RMB'000**
Salaries and bonuses	**115,767**	118,919
Contribution to defined contribution plan	**21,437**	21,510
Other staff related costs	**6,124**	5,874
	143,328	146,303

Staff costs totalling RMB 78,781,000 (2017: RMB 80,875,000) were recognised as an expense in the cost of sales.

Compensation of key management personnel

	Group	
	2018 RMB'000	**2017 RMB'000**
Directors of the Company		
Short-term employee benefits		
- Salaries	**3,720**	3,720
- Directors' fee	**835**	834
- Others	**100**	40
	4,655	4,594

9. Income tax expense

	Group	
	2018 RMB'000	**2017 RMB'000**
Current tax		
Current year	**5,045**	694

9. Income tax expense (Cont'd)

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	
	2018 RMB'000	2017 RMB'000
Loss before taxation	**(85,469)**	(32,823)
Tax at the applicable rate of 25% (2017: 25%)	**(21,367)**	(8,206)
Tax exemption	**(1,339)**	(340)
Effect of different tax rate of Singapore company	**677**	629
Non-deductible expenses	**7,949**	15,152
Deferred tax assets arising in current year not recognised	**23,497**	24,997
Utilisation of deferred tax assets not recognised previously	**(4,372)**	(31,538)
Total tax expense	**5,045**	694

The prevailing tax rate of the subsidiaries residing in the PRC is 25% (2017: 25%). One subsidiary of the Group 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	
	2018 RMB'000	2017 RMB'000
Unutilised tax losses	**85,766**	83,803
Others	**8,116**	(9,046)
	93,882	74,757

At the reporting date, certain subsidiaries in the Group have unutilised tax losses amounting to RMB 343,066,000 (2017: RMB 335,210,000) 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 in their respective countries of incorporation. In PRC, these tax losses 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	
	2018 RMB'000	2017 RMB'000
Basic and diluted loss per share is based on:		
- Loss for the financial year attributable to ordinary shareholders (RMB'000)	**(90,514)**	(33,517)
Weighted average number of ordinary shares (in thousands)	**594,000**	594,000
Loss per share (RMB cents)	**(15.2)**	(5.6)

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 2017	356,981	965,101	49,773	11,679	225	30,154	1,413,913
Additions	6,437	22,682	806	95	-	29,971	59,991
Disposals	(236)	(16,495)	(1,070)	(279)	-	(8,948)	(27,028)
Written-off	-	(14,470)	(266)	-	-	-	(14,736)
Reclassifications	14,436	13,176	-	-	-	(27,612)	-
At 31 December 2017	377,618	969,994	49,243	11,495	225	23,565	1,432,140
At 1 January 2018	377,618	969,994	49,243	11,495	225	23,565	1,432,140
Additions	472	12,332	1,023	577	-	23,025	37,429
Disposals	(123)	(16,142)	(497)	(609)	-	(2,334)	(19,705)
Reclassifications	1,995	19,500	-	-	-	(21,495)	-
At 31 December 2018	379,962	985,684	49,769	11,463	225	22,761	1,449,864

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							
At 1 January 2017	116,043	448,214	41,936	8,134	225	-	614,552
Depreciation for the financial year	15,752	65,007	2,490	732	-	-	83,981
Disposals	(5)	(6,917)	(949)	(260)	-	-	(8,131)
Written-off	-	(7,501)	(196)	-	-	-	(7,697)
At 31 December 2017	131,790	498,803	43,281	8,606	225	-	682,705
At 1 January 2018	131,790	498,803	43,281	8,606	225	-	682,705
Depreciation for the financial year	16,498	61,270	1,248	768	-	-	79,784
Disposals	(60)	(7,907)	(479)	(539)	-	-	(8,985)
At 31 December 2018	148,228	552,166	44,050	8,835	225	-	753,504
Accumulated impairment loss							
At 1 January 2017	27,695	114,792	-	-	-	-	142,487
Impairment for the financial year	470	33,530	-	-	-	-	34,000
Reversal of impairment	(10,763)	(56,678)	-	-	-	-	(67,441)
At 1 January 2018	17,402	91,644	-	-	-	-	109,046
Impairment for the financial year	-	41,134	-	-	-	-	41,134
At 31 December 2018	17,402	132,778	-	-	-	-	150,180
Carrying amount							
At 31 December 2018	214,332	300,740	5,719	2,628	-	22,761	546,180
At 31 December 2017	228,426	379,547	5,962	2,889	-	23,565	640,389

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 2017, 31 December 2017	24	224	248
Additions	10	-	10
At 31 December 2018	34	224	258
Accumulated depreciation			
At 1 January 2017, 31 December 2017	24	224	248
Depreciation for the financial year	1	-	1
At 31 December 2018	25	224	249
Carrying amount			
At 31 December 2018	9	-	9
At 31 December 2017	-	-	-

The Group continued to operate under challenging conditions in China during the financial year, resulting in certain cash generating units incurring consecutive losses which may have an adverse impact on the recoverable amount of the affected property, plant and equipment.

At the end of 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 and any significant changes in the recoverable amount of property, plant and equipment. Based on the review, an impairment loss of RMB 41,134,000 (2017: RMB 34,000,000) and reversal of impairment loss of RMB Nil (2017: RMB 67,441,000) is recognised in other operating expense and other operating income respectively as the recoverable amount based on value-in-use is higher/lower than the carrying amount of manufacturing plant and equipment. The discount rate used in measuring value-in-use based on the weighted average cost of capital was 13.05% (2017: 6.96%) which reflects the current market assessment of the time value of money and the risk specific to the Group. The projected growth rates used are based on the published industry research, adjusted for the specific circumstances and based on management's judgement. The growth rate used during the projection periods was 2% (2017: 1.5%).

As at the reporting date, property, plant and equipment with carrying amount of RMB 346,926,000 (2017: RMB 505,746,000) were pledged to secure the Group's interest-bearing loans and borrowings as disclosed in Note 21.

11 (ii). Land use rights

	Group	
	2018 RMB'000	**2017 RMB'000**
Cost		
At 1 January and 31 December	**52,975**	52,975
Accumulated amortisation		
At 1 January	**9,300**	8,231
Amortisation for the financial year	**1,069**	1,069
At 31 December	**10,369**	9,300
Carrying amount		
At 31 December	**42,606**	43,675

	Group	
	2018 RMB'000	**2017 RMB'000**
Amounts to be amortised		
Not later than one year	**1,069**	1,069
Later than one year but not later than five years	**4,278**	4,278
Later than five years	**37,259**	38,328
	42,606	43,675

(a) Land use rights represent leasehold interests in 5 (2017: 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 42,309,000 (2017: RMB 42,511,000) has been pledged to interest-bearing loans of the Group (Note 21).

12. Other investments

	Group	
	2018 RMB'000	2017 RMB'000
Unquoted equity shares		
AFS financial asset	**-**	2,060
Financial asset held at FVTPL	**2,060**	-
	2,060	2,060

The Group is not allowed to dispose of this investment in the next five years since the date of acquisition.

The investment in unquoted equity instrument is classified at FVTPL (2017: AFS financial asset) relates to 2% unquoted equity securities in an unquoted rural credit co-operative union corporation in China. As at 31 December 2017, the AFS financial asset was carried at cost less impairment loss, if any, as its fair value could not be measured reliably.

The Group classified unquoted equity shares at FVTPL and present the gains and losses on its investment in equity instrument in statement of profit or loss as the investment was held as long-term investment and will only sell the investment to re-invest the cash on other financial asset when the opportunity arises.

13. Investments in subsidiaries

	Company	
	2018 RMB'000	2017 RMB'000
Unquoted equity shares, at cost	**372,654**	372,654
Less: Accumulated impairment loss	**(51,610)**	(35,700)
	321,044	336,954

An impairment assessment was conducted on the recoverable amounts of the Company's investment in the subsidiaries. Consequently, an impairment loss of RMB 15,910,000 (2017: RMB 35,700,000) is recognised in the current financial year as the recoverable amount based on value-in-use is lower than the carrying amount of the Company's cost of investments. The discount rate used in measuring value-in-use based on the weighted average cost of capital was 13.05% (2017: 6.96%) which reflects the current market assessment of the time value of money and the risk specific to the Group. The projected growth rates used are based on the published industry research, adjusted for the specific circumstances and based on management's judgement. The growth rates used during the projection periods was 2% (2017: 1.5%).

The movement of impairment loss in respect of investment in subsidiaries are as follows:

	Company	
	2018 RMB'000	2017 RMB'000
At 1 January	**35,700**	-
Impairment loss recognised in the year	**15,910**	35,700
At 31 December	**51,610**	35,700

13. Investments in subsidiaries (Cont'd)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment held by the Company		Effective percentage of equity interest held by the Company	
			2018	2017	2018	2017
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 ("PRC")	**US$25,300,000 (RMB 189,341,000)**	US$25,300,000 (RMB 189,341,000)	**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 (RMB 15,909,000)**	US$2,000,000 (RMB 15,909,000)	**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 (RMB 46,381,000)**	US$7,000,000 (RMB 46,381,000)	**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 (RMB 35,700,000)**	US$4,463,000 (RMB 35,700,000)	**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 (RMB 82,323,000)**	US$11,000,000 (RMB 82,323,000)	**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 (RMB 3,000,000)**	US$375,000 (RMB 3,000,000)	**100**	100
山东鲁洲氨基酸有限公司 (Shandong Luzhou Amino Acid Co., Ltd)[(4)]	Production and sale of amino acids	People's Republic of China	**-**	-	**100**	100
临沂易粮商贸有限公司 (Linyi Yiliang Trading Co., Ltd)[(1) (5)]	Material purchase and sales, include but not limited to agricultural products, oil, sweeteners, corn starch, mechanical equipment and etc	People's Republic of China	**-**	-	**100**	-
			RMB 372,654,000	RMB 372,654,000		

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

(2) The subsidiary has two branch offices: Yishui Branch Office and Animal Feed Branch Office. Animal Feed Branch became dormant since financial year 2016.

(3) The subsidiary is a wholly-owned subsidiary of Luzhou Bio-chem Technology (Shaanxi) Co., Ltd., incorporated in 2016 with a registered capital of RMB 36 million.

(4) The subsidiary is dormant.

(5) The subsidiary is a wholly-owned subsidiary of Luzhou Bio-chem Technology (Shandong) Co., Ltd incorporated in 2018 with a registered capital of RMB 30 million.

14. Inventories

	Group	
	2018 RMB'000	**2017 RMB'000**
Raw materials	**140,852**	108,571
Work-in-progress	**16,931**	15,673
Finished goods	**76,251**	63,496
Packaging materials and consumables	**947**	697
	234,981	188,437
Inventories recognised as an expense:		
Inventories written-down value	**1,430**	1,095
Reversal of written-down value	**(400)**	(655)
	1,030	440

The Group has recognised a reversal of RMB 400,000 (2017: RMB 655,000) being part of the inventory write-down in prior year as the inventories were sold above their carrying amounts in current year.

Inventories of RMB 48,000,000 (2017: RMB Nil) of the Group have been pledged as security of credit facilities of the Group (Note 21).

15. Trade receivables

	Group	
	2018 RMB'000	**2017 RMB'000**
Trade receivables	**180,655**	176,774
Bills receivables	**8,532**	7,067
Value-added tax recoverable	**6,066**	4,390
	195,253	188,231
Less: Loss allowance (ECL) for trade receivables	**(15,121)**	(10,637)
	180,132	177,594
Movement in loss allowance for trade receivables are as follow:		
At 1 January	**(10,637)**	(8,753)
Allowance charged to profit or loss	**(4,484)**	(1,889)
Reversal of loss allowance	**-**	5
At 31 December	**(15,121)**	(10,637)

15. Trade receivables (Cont'd)

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

	Group	
	2018 RMB'000	2017 RMB'000
RMB	**177,047**	176,228
United States dollar ("USD" or "US$")	**3,085**	1,366
	180,132	177,594

Trade receivables are non-interest bearing and generally on 30 to 90 days (2017: 30 days to 90 days) credit term.

Bills receivables, which are non-interest bearing, are issued by banks with average maturity of 4 months (2017: 5 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.

The details of the impairment of trade receivables and credit exposures are disclosed in Note 30.

16. Other receivables, deposits and prepayments

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Other receivables	**6,016**	6,343	**48**	35
Less: Loss allowance (ECL)	**(180)**	(180)	**-**	-
Advances paid to suppliers	**17,099**	13,871	**-**	-
Less: Loss allowance (ECL)	**(1,456)**	-	**-**	-
	21,479	20,034	**48**	35
Deposit placed to acquire land use right	**6,642**	6,642	**-**	-
Prepayments	**19,722**	18,683	**-**	-
	47,843	45,359	**48**	35

Deposit placed to acquire land used right is for the land of Xinjiang Luzhou Bio-chem Technology Co., Ltd.

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

Movement in loss allowance for other receivables, deposits and prepayments are as follow:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
At 1 January	**(180)**	(180)	**-**	-
Allowance charged to profit or loss	**(1,456)**	-	**-**	-
At 31 December	**(1,636)**	(180)	**-**	-

16. 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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
RMB	**47,795**	45,324	**-**	-
Singapore dollar ("SGD" or "S$")	**48**	35	**48**	35
	47,843	45,359	**48**	35

The details of the impairment of other receivables and credit exposures are disclosed in Note 30.

17. Cash and cash equivalents

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Cash at banks and in hand	**87,322**	92,978	**1,152**	3,266
Bank deposits	**76,400**	97,280	**-**	-
	163,722	190,258	**1,152**	3,266

Cash at banks earn interest at floating rates based on daily bank deposits rates. The average effective interest rate earned for the financial year was 0.1% (2017: 0.1%) per annum for cash at banks and 2.0% (2017: 1.5%) for pledged cash deposits.

Included in cash and cash equivalents of the Group are fixed deposits totalling RMB 76,400,000 (2017: RMB 97,280,000) which are placed for a period of 12 months (2017: 12 months) depending on the immediate cash requirements of the Group.

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	
	2018 RMB'000	2017 RMB'000
Cash at banks and in hand	**163,722**	190,258
Bank deposits pledged	**(76,400)**	(97,280)
Cash and cash equivalents per consolidated statement of cash flows	**87,322**	92,978

17. Cash and cash equivalents (Cont'd)

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

	Group		Company	
	2018 RMB'000	**2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**
RMB	**162,570**	186,992	**-**	-
SGD	**1,152**	3,266	**1,152**	3,266
	163,722	190,258	**1,152**	3,266

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.

18. Share capital

The details of changes in the Company's share capital were as follows:

	Group and Company			
	Share capital		No. of shares	
	2018 RMB'000	**2017 RMB'000**	**2018 '000**	**2017 '000**
Fully paid ordinary shares at the beginning and the end of financial year, with no par value	**308,723**	308,723	**594,000**	594,000

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.

19. 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.

20. Amount owing to a related party/subsidiaries/a director

The amount owing to a related party classified to current liabilities is trade in nature, unsecured, interest-free, repayable on demand and denominated in RMB.

The amount owing to a related party of RMB 38,000,000 classified to non-current liabilities is non-trade in nature, unsecured, interest-free, repayable after 12 months and denominated in RMB.

The amount owing to subsidiaries is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in RMB.

The amount owing to a director is non-trade in nature, unsecured, repayable within 12 months and denominated in SGD. RMB 9,864,000 (2017: RMB 9,864,000) of which bears an interest of 1.88% (2017: 1.88%) per annum and the remaining balance is interest-free. The interest payable of RMB 303,000 (2017: RMB 119,000) is repayable on demand.

21. Interest-bearing liabilities

	Group	
	2018 RMB'000	**2017 RMB'000**
<u>Loans and borrowings</u>		
Non-current		
- Secured	**379,390**	397,150
- Unsecured	**160,000**	180,000
Total non-current	**539,390**	577,150
Current		
- Secured	**160,000**	200,000
- Unsecured	**20,000**	20,000
Total current	**180,000**	220,000
Total loans and borrowings	**719,390**	797,150

Maturity of interest-bearing loans and borrowings

	Group	
	2018 RMB'000	**2017 RMB'000**
Within one year	**180,000**	220,000
After one year but within two years	**539,390**	573,150
After two years but within five years	**-**	4,000
Total interest-bearing loans and borrowings	**719,390**	797,150

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 owned by related parties;

(iv) corporate guarantees given by related parties;

(v) personal guarantee given by related parties;

(vi) corporate guarantees given by third parties;

(vii) pledge of inventories of the Group; and

(viii) pledge of cash deposit of the Group (Note 17).

The loan and borrowings are denominated in RMB and bear interest at the average effective interest rate of 5.82% (2017: 5.32%) per annum.

22. 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	
	2018 RMB'000	2017 RMB'000
Cost		
At 1 January	**88,684**	82,623
Additions	**192**	6,061
At 31 December	**88,876**	88,684
Accumulated amortisation		
At 1 January	**45,928**	39,210
Amortisation for the financial year	**5,384**	6,718
At 31 December	**51,312**	45,928
Carrying amount		
At 31 December	**37,564**	42,756
Amortisation due within:		
Next twelve months - current portion	**5,046**	5,355
More than twelve months - non-current portion	**32,518**	37,401
	37,564	42,756

In the previous financial year, one of the Group's subsidiaries received government grants of RMB 5,960,000 for low-energy environmental protection equipment and RMB 101,000 related to a special grant for key laboratory used to purchase instruments and equipment of the Group's Research and Development Centre.

During current financial year, one of the Group's subsidiaries received government grants of RMB 192,000 related to a special grant for key laboratory used to purchase instruments and equipment of the Group's Research and Development Centre.

23. Deferred taxation

	Group	
	2018 RMB'000	2017 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 241,800,000 (2017: RMB 204,900,000). 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.

24. Trade payables

Trade payables are denominated in RMB, non-interest bearing and are normally settled within 30-60 days (2017: 30 days).

25. Other payables

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Other payables	**9,151**	9,914	**-**	-
Deposits from customers	**5,108**	5,350	**-**	-
Payables for construction of property, plant and equipment	**7,546**	12,034	**-**	-
Retention money owing to contractors and suppliers	**7,083**	11,100	**-**	-
Accrued operating expenses	**40,991**	32,144	**1,047**	995
Advances from customers (Note 4)	**23,638**	20,967	**-**	-
Other tax payables	**2,388**	2,286	**-**	-
	95,905	93,795	**1,047**	995

Other payables and accruals are non-interest bearing and have an average repayment term of 12 months (2017: 12 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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
RMB	**93,126**	92,800	**-**	-
USD	**1,732**	-	**-**	-
SGD	**1,047**	995	**1,047**	995
	95,905	93,795	**1,047**	995

26. Dividends

In previous financial year, the Company declared and paid final tax-exempt dividend of S$0.002 per ordinary share of the Company totalling S$1,188,000 (equivalent to RMB 5,859,000) in respect of the financial year ended 31 December 2017.

No dividend was paid or proposed for the financial year ended 31 December 2018.

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	
	2018 RMB'000	**2017 RMB'000**
Commitments in respect of the construction of property, plant and equipment	**-**	3,111

Operating lease commitments

Lessee

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

	Group	
	2018 RMB'000	**2017 RMB'000**
Within one year	**2,262**	2,205
After one year but within five years	**135**	2,100
	2,397	4,305

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.

Lessor

At the reporting date, future minimum rentals receivable under non-cancellable operating leases in respect of equipment, manufacturing and office premises are as follows:

	Group	
	2018 RMB'000	**2017 RMB'000**
Future minimum lease payments receivable:		
Within one year	**480**	-
After one year but within five years	**1,440**	-
	1,920	-

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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The effect of the Group's and the Company's transactions and arrangements with related parties is affected in the financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

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

	Group	
	2018 RMB'000	**2017 RMB'000**
Transactions with parties in which a director has substantial interest:		
- Operating lease expenses	**2,350**	2,350
Transactions with a director:		
- Interest expenses payable to a director	**184**	119

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 – refers to administrative office in Singapore.

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	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
2018							
Revenue:							
External customers	2,220,524	-	2,286	-	-		2,222,810
Inter-segment sales	42,463	-	9,078	-	(51,541)	A	-
Total revenue	2,262,987	-	11,364	-	(51,541)		2,222,810
Results:							
Segment loss before taxation	(33,715)	(681)	(2,077)	(24,185)	(24,811)	B	(85,469)
Income tax expense	(5,045)	-	-	-	-		(5,045)
Interest income from banks	1,750	-	3	-	-		1,753
Interest expense	(43,832)	(1)	(4)	(185)	-		(44,022)
Depreciation of property, plant and equipment	(80,283)	(860)	(703)	(1)	2,063	C	(79,784)
Amortisation of land use rights	(1,069)	-	-	-	-		(1,069)
Impairment of property, plant and equipment	(40,000)	-	(1,134)	-	-		(41,134)
Gain on disposal of property, plant and equipment, net	67	-	-	-	-		67
Other non-cash expenses	(1,603)	-	17	-	-	D	(1,586)
Assets:							
Segment assets	1,211,817	3,001	11,157	1,209	(9,660)	E	1,217,524
Additions to non-current assets	37,413	-	6	10	-	F	37,429
Liabilities:							
Segment liabilities	1,193,089	12	4,938	14,062	589	G	1,212,690

29. Segment information (Cont'd)

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
2017							
Revenue:							
External customers	2,037,029	-	1,288	-	-		2,038,317
Inter-segment sales	10,685	-	10,411	-	(21,096)	A	-
Total revenue	2,047,714	-	11,699	-	(21,096)		2,038,317
Results:							
Segment profit/(loss) before taxation	25,493	(1,468)	(1,728)	(43,444)	(11,676)	B	(32,823)
Income tax expense	(694)	-	-	-	-		(694)
Interest income from banks	2,503	-	1	-	-		2,504
Interest expense	(52,139)	(2)	(4)	(120)	-		(52,265)
Depreciation of property, plant and equipment	(84,370)	(865)	(833)	-	2,087	C	(83,981)
Amortisation of land use rights	(1,069)	-	-	-	-		(1,069)
Impairment of property, plant and equipment	(34,000)	-	-	-	-		(34,000)
Reversal of impairment of property, plant and equipment	67,441	-	-	-	-		67,441
Gain on disposal of property, plant and equipment, net	557	-	-	-	-		557
Write off of property, plant and equipment	(7,030)	(9)	-	-	-		(7,039)
Other non-cash income	3,926	5	463	-	-	D	4,394
Assets:							
Segment assets	1,281,798	3,712	10,853	3,301	(11,208)	E	1,288,456
Additions to non-current assets	59,988	-	3	-	-	F	59,991
Liabilities:							
Segment liabilities	1,179,232	41	2,269	10,977	589	G	1,193,108

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:

	2018 RMB'000	2017 RMB'000
Profit from inter-segment sales	**1,548**	2,385
Finance costs net of interest income	**(42,269)**	(49,761)
Impairment loss of investment in subsidiaries	**15,910**	35,700
Total	**(24,811)**	(11,676)

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

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

	2018 RMB'000	2017 RMB'000
Amortisation of government grant	**5,384**	6,718
Allowance for write-down of inventories, net	**(1,030)**	(440)
Addition of loss allowance for doubtful trade and other receivables, net	**(5,940)**	(1,884)
	(1,586)	4,394

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

	2018 RMB'000	2017 RMB'000
Inter-segment assets	**(9,660)**	(11,208)

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

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

	2018 RMB'000	2017 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	
	2018 RMB'000	**2017 RMB'000**
Segment revenue by location of customers		
- PRC	**2,146,650**	1,974,849
- Overseas	**76,160**	63,468
	2,222,810	2,038,317
Capital expenditures by geographical location of assets		
- PRC	**37,419**	59,991
- Overseas	**10**	-
	37,429	59,991
Segment assets by geographical location of assets		
- PRC	**1,216,315**	1,285,155
- Overseas	**1,209**	3,301
	1,217,524	1,288,456

30. Financial instruments and financial risks

The Group's activities expose it to credit risk, market risks (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

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.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

30. Financial instruments and financial risks (Cont'd)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's credit risk arises mainly from bank balances and trade and other receivables. Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risks, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, but not later than when the financial asset is more than 30 days past due as per SFRS(I) 9's presumption.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risks[Note 1]	12-months ECL
2	Non-significant increase in credit risks since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition[Note 2] or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired[Note 3]	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount[Note 4]	Written off

30. Financial instruments and financial risks (Cont'd)

Credit risk (Cont'd)

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are >30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

30. Financial instruments and financial risks (Cont'd)

Credit risk (Cont'd)

Trade receivables (Note 15)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last five years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the regions/countries and the growth rates of the major industries which its customers operate in.

The loss allowance for trade receivables are determined as follows:

	Current	Past due for 31 to 90 days	Past due for 91 to 180 days	Past due for 181 to 365 days	Past due more than 365 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018						
Weighted average expected credit loss rates	0.3%	17.4%	19.2%	94.0%	94.0%	
Trade receivables (gross)	168,985	2,102	3,582	664	13,854	189,187
Loss allowance	469	366	688	624	12,974	15,121

In the prior financial year, allowance made related to debtors with significant financial difficulties. The management estimated the irrecoverable amounts by reference to past default experience. If repeated reminders and letters of demand to settle overdue payments fail to yield results, the Group will make allowances or write off the debts on a case-by-case basis.

Other receivables and advance paid to suppliers (Note 16)

As of 31 December 2018, the Group recorded other receivables of RMB 6,016,000 (2017: RMB 6,343,000) and advance to suppliers of RMB 17,099,000 (2017: RMB 13,871,000). The Group assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk other than the credit impaired amount of RMB 180,000 and RMB 1,456,000 (2017: RMB 180,000 and RMB Nil). In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Using 12-month ECL, the Group determined that the ECL is insignificant.

30. Financial instruments and financial risks (Cont'd)

Credit risk (Cont'd)

Comparative information under FRS 39

The Group's impaired trade receivables at 31 December 2017 which had a gross carrying amount of RMB 1,889,000. The individual impairment losses of the Group as at 31 December 2017 related to several customers that the Group was not expecting to be able to collect the outstanding balances, mainly due to economic circumstances.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. Based on historical default rates, the Group believe that no impairment allowance is necessary in respect of trade receivables not past due.

The age analysis of trade receivables neither past due nor impaired and past due but not impaired is as follows:

	Group
	2017 RMB'000
Not past due	111,505
Past due for 31 to 90 days	53,871
Past due for 91 to 180 days	3,703
Past due for 181 to 365 days	1,795
Past due for more than one year	6,720
	177,594

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables and other receivables are as follows:

	Trade receivables		Other receivables	
	Note (i) RMB'000	Total RMB'000	Category 4 RMB'000	Total RMB'000
Internal credit risk grading				
Loss allowance				
Balance at 31 December 2017 based on FRS 39	10,637	10,637	180	180
Amount restated upon adoption of new financial reporting framework (Note 33)	-	-	-	-
Balance at 1 January 2018	10,637	10,637	180	180
Loss allowance (ECL) recognised	4,484	4,484	1,456	-
Balance at 31 December 2018	15,121	15,121	1,636	180
Gross carrying amount				
At 1 January 2018	188,231	188,231	20,214	20,214
At 31 December 2018	195,253	195,253	23,115	23,115
Net carrying amount				
At 1 January 2018	177,594	177,594	20,034	20,034
At 31 December 2018	180,132	180,132	21,479	21,479

Note (i) For trade receivables, the Group uses the practical expedient under SFRS(I) 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL.

30. Financial instruments and financial risks (Cont'd)

Market risks

Market risk is the risk that changes in the market price, 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. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets, mainly cash and cash equivalents, and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. The Group does not use derivative financial instruments to hedge its foreign currency risk.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% (2017: 10%) increase or decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% (2017: 10%) is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2017: 10%) change in foreign currency rates. The sensitivity analysis includes external loans where they give rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% (2017: 10%) against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	United States dollar impact		Singapore dollar impact	
	2018 RMB'000	**2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**
Group				
Loss before taxation	**135**	137	**(1,186)**	(672)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short-term borrowings.

The Group's interest rate risk relates to interest-bearing borrowings which comprise borrowings from banks and amount owing to a director. The Group's interest rate risks arise primarily from the floating rate borrowings with financial institutions.

30. Financial instruments and financial risks (Cont'd)

Market risks (Cont'd)

Interest rate risk (Cont'd)

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 year to two years	After two years to five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2018				
Fixed rate				
Interest-bearing loans and borrowings	**180,000**	**468,000**	**-**	**648,000**
Interest-bearing borrowings owing to a director	**9,864**	**-**	**-**	**9,864**
Floating rate				
Interest-bearing loans and borrowings	**-**	**71,390**	**-**	**71,390**
2017				
Fixed rate				
Interest-bearing loans and borrowings	220,000	542,150	-	762,150
Interest-bearing borrowings owing to a director	-	9,864	-	9,864
Floating rate				
Interest-bearing loans and borrowings	-	31,000	4,000	35,000

The fixed rate interest-bearing loans and borrowings bear interest at rates ranging from 1.88% to 8.64% (2017: 1.88% to 6.96%) per annum. Interests are at fixed rates until the maturity of the instrument.

The interest rate on floating rate interest-bearing loan and borrowings was 5.0% and 36.3% (2017: 5.0%) over and above RMB Loan Prime Rate (the "LPR"), and is contractually repriced at intervals of one month, three months and six months.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities with floating rates at the end of the financial year and the stipulated change taking place at the beginning of the year and held constant throughout the financial year in the case of instruments that have floating rates. A 120-basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 120-basis points higher or lower and all other variables were held constant, the loss for the financial year ended 31 December 2018 of the Group and Company would decrease/increase by RMB 857,000 (2017: RMB 420,000). As at 31 December 2018, as the Group has few floating rate loans and borrowings, they are not exposed to significant interest rate risk.

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 21.

30. Financial instruments and financial risks (Cont'd)

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

Liquidity risk is managed by matching the payment and receipt cycle. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

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

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial assets				
Other investments	**2,060**	2,060	**-**	-
Trade receivables	**174,066**	173,204	**-**	-
Other receivables	**21,479**	20,034	**48**	35
Cash and cash equivalents	**163,722**	190,258	**1,152**	3,266
	361,327	385,556	**1,200**	3,301

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial liabilities				
Interest-bearing liabilities	**719,390**	797,150	**-**	-
Amount owing to a director	**13,015**	9,983	**13,015**	9,983
Amount owing to a related party	**40,875**	1,650	**-**	-
Amount owing to subsidiaries	**-**	-	**4,120**	836
Trade payables	**304,811**	247,185	**-**	-
Other payables	**95,905**	93,795	**1,047**	995
Financial liabilities at amortised cost	**1,173,996**	1,149,763	**18,182**	11,814

30. Financial instruments and financial risks (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.

	2018				2017			
	One year or less	One to two years	Two to five years	Total	One year or less	One to two years	Two to five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Financial assets:								
Other investments	**-**	**-**	**2,060**	**2,060**	-	-	2,060	2,060
Trade and other receivables	**195,545**	**-**	**-**	**195,545**	193,238	-	-	193,238
Cash and cash equivalents	**163,722**	**-**	**-**	**163,722**	190,258	-	-	190,258
Total undiscounted financial assets	**359,267**	**-**	**2,060**	**361,327**	383,496	-	2,060	385,556
Financial liabilities:								
Interest-bearing liabilities	**181,164**	**602,175**	**-**	**783,339**	221,063	634,104	4,638	859,805
Amount owing to a director	**13,089**	**-**	**-**	**13,089**	119	10,124	-	10,243
Trade and other payables	**398,328**	**-**	**-**	**398,328**	338,694	-	-	338,694
Amounts owing to a related party	**2,875**	**38,000**	**-**	**40,875**	1,650	-	-	1,650
Total undiscounted financial liabilities	**595,456**	**640,175**	**-**	**1,235,631**	561,526	644,228	4,638	1,210,392
Total net undiscounted financial liabilities	**(236,189)**	**(640,175)**	**2,060**	**(874,304)**	(178,030)	(644,228)	(2,578)	(824,836)

The Group prepares cash flows forecast 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. The Group has accessed to interest-bearing loans and borrowings from financial institutions which is disclosed in Note 21 as well as adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

30. Financial instruments and financial risks (Cont'd)

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follow:

	Note	Group	
		2018 RMB'000	2017 RMB'000
Loans and receivables			
Trade and other receivables	15,16	-	197,628
Cash and cash equivalents	17	-	190,258
		-	387,886
Financial assets at fair value through profit or loss			
Unquoted equity instrument	12	**2,060**	-
Available-for-sale financial assets			
Unquoted equity instrument	12	-	2,060
Financial assets at amortised cost			
Trade and other receivables	15,16	**201,611**	-
Cash and cash equivalents	17	**163,722**	-
		365,333	-
Financial liabilities at amortised cost			
Interest-bearing liabilities	21	**719,390**	797,150
Amount owing to a director	20	**13,105**	9,983
Trade and other payables	24,25	**398,328**	338,694
Amounts owing to a related party	20	**40,875**	1,650
		1,171,608	1,147,477

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 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.

31. Capital risk management (Cont'd)

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:

	2018 RMB'000	2017 RMB'000
Total borrowings	**770,102**	807,014
Less: cash and cash equivalents	**(163,722)**	(190,258)
Net debt	**606,380**	616,756
Total equity	**4,834**	95,348
Total capital	**611,214**	712,104
Gearing ratio	**0.99**	0.87

As disclosed in Note 19, the subsidiaries of the Group in PRC are 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 2018 and 2017.

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.

In current year, there is no transfer between Level 1, Level 2 and Level 3 fair value measurements.

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.

The Group estimates the fair value of its unquoted equity investment classified as FVTPL (Note 12) based on its share of the investee corporation's net asset value ("NAV"), which is a significant unobservable input. NAV is determined by reference to the attributable net assets of the Group's investee corporation, which is credit co-operative union corporation, based on the latest available financial information.

FVTPL are classified under Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis in the consolidated statement of financial position after initial recognition.

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

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 SFRS(I) 13 *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.

33. Adoption of new financial reporting framework and accounting policies

As a first-time adopter of SFRS(I), the Group has retrospectively applied the accounting policies based on each applicable SFRS(I) effective as at 31 December 2018, being the end of the first SFRS(I) reporting period, except for areas of mandatory exceptions and the application of certain optional exemptions (see below) as set out in SFRS(I) 1. In the adoption of SFRS(I), the Group concurrently applied the following relevant new and amended SFRS(I)s and SFRS(I) INT that are similarly mandatorily effective from 1 January 2018:

SFRS(I) 9	*Financial instruments ("SFRS(I) 9")*
SFRS(I) 15	*Revenue from contracts with customers ("SFRS(I) 15")*

Except as described below, the application of SFRS(I) did not have a significant impact on the Group's financial statements.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 sets out the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification of financial assets

Based on facts and circumstances existing as of 1 January 2018, the Group has classified its financial assets into financial assets subsequently measured at (i) fair value through profit or loss; and (ii) amortised cost, depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

The Group has adopted SFRS(I) 9 retrospectively but did not restate the comparatives by applying the optional exemption provided in SFRS(I) 1. Accordingly, the comparative information was prepared in accordance with the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* and disclosures were made in accordance with FRS 107 *Financial Instruments: Disclosure* as applicable.

In the preceding financial year, the Group has prepared the financial statements in accordance with the Singapore Financial Reporting Standards ("FRS").

33. Adoption of new financial reporting framework and accounting policies (Cont'd)

The effects of adopting SFRS(I) 9 at the date of initial application being 1 January 2018 is summarised below:

				1 January 2018	
	Note	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39**	**New carrying amount under SFRS(I) 9**
				RMB'000	**RMB'000**
Group					
Financial asset					
Equity investment	(a)	AFS	FVTPL – equity instrument	2,060	2,060

(a) This equity investment represents investment that were managed on a fair value basis and its performance was monitored on this basis. This asset has been classified as measured under FVTPL under SFRS(I) 9.

Impairment assessment

The new impairment model under SFRS(I) 9 requires the recognition of impairment allowances arising from ECL from financial assets such as financial assets measured at amortised cost, arising from the Group's contracts with its customers under SFRS(I) 15.

An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group used a practical expedient in the form of an allowance matrix on its trade receivables and contract assets to recognise lifetime ECL and recognised 12-month expected credit losses for the other applicable financial assets. Refer to Note 30 for the details about the calculation of loss allowance.

STATISTICS OF SHAREHOLDINGS
AS AT 15 MARCH 2019

Issued and paid-up capital	:	$63,219,768
Number of shares	:	594,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company does not hold any treasury shares and there are no subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shareholdings
1 - 99	2	0.09	113	0.00
100 - 1,000	36	1.70	26,890	0.00
1,001 - 10,000	880	41.69	6,582,300	1.11
10,001 - 1,000,000	1,161	55.00	97,114,600	16.35
1,000,001 and above	32	1.52	490,276,097	82.54
TOTAL	**2,111**	**100.00**	**594,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 15 March 2019)

	Direct interest		Deemed interest	
Name of shareholders	No. of shares	%	No. of shares	%
Niu Ji Xing[(1), (2)]	7,820,700	1.32	236,925,000	39.89
Faith Corporate International Limited[(2)]	236,925,000	39.89	-	-
Toh Bee Yong[(3)]	104,517,595	17.59	-	-

Notes:

(1) Niu Ji Xing is deemed to have an interest in the 236,925,000 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 15 MARCH 2019

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	No. of shares	% of shareholdings
1	CITIBANK NOMINEES SINGAPORE PTE LTD	248,455,700	41.83
2	DBS NOMINEES (PRIVATE) LIMITED	109,761,095	18.48
3	GAO ZHONGFA	22,800,000	3.84
4	WANG DEYOU	15,150,000	2.55
5	ZHANG CONGQIAO	15,000,000	2.53
6	PHILLIP SECURITIES PTE LTD	13,737,800	2.31
7	CHUA ENG ENG	10,120,002	1.70
8	RAFFLES NOMINEES (PTE.) LIMITED	5,127,800	0.86
9	CHEN SHUOWANG	4,837,500	0.81
10	TEO RAYMOND	4,100,000	0.69
11	OCBC SECURITIES PRIVATE LIMITED	3,456,900	0.58
12	SIM SOO THONG	3,359,900	0.57
13	PAN LIN	3,001,000	0.51
14	HE GUANGHUI	2,999,600	0.50
15	TEO POH SUAN	2,717,000	0.46
16	CHIN KEE TONG JEFFREY	2,433,900	0.41
17	TAN KIM HUA	2,400,000	0.40
18	DEVIA ARDENA	1,959,400	0.33
19	CHOO CHAI LEONG	1,792,000	0.30
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,665,500	0.28
	TOTAL	**474,875,097**	**79.94**

FREE FLOAT

Based on the information provided to the Company as at 15 March 2019, approximately 34.8% 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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Oriole Room 2, National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739, on Friday, 26 April 2019 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2018, together with the Directors' Statement and the Independent Auditors' Report.

Resolution 2

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

Resolution 3

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

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

Resolution 4

4. To approve the payment of Directors' fees of SGD140,000 and RMB150,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears (FY2018: 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 of the Company 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 and subsidiary holdings) 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 and subsidiary holdings) 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)]

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
9 April 2019

Explanatory Note:-

(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 and subsidiary holdings) 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 and subsidiary holdings) 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.

Notes:-

(i) Unless otherwise permitted under the Companies Act, Chapter 50 (the "**Companies Act**"), a member of the Company entitled to attend and vote at the Annual General Meeting ("**AGM**") may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

(iii) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

(iv) If the member is a corporation, the instrument appointing the proxy must be executed under its common seal or signed by its duly authorised officer or attorney.

(v) The duly executed instrument appointing a proxy or proxies 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 AGM.

(vi) An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person, provided that he has been appointed as a proxy by his CPF approved agent bank. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF approved agent banks to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the AGM.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Gao Zhong Fa and Mr Kong Xiang Chao are seeking re-election as Directors at the Annual General Meeting of the Company to be held on 26 April 2019.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the aforesaid Directors (as set out in Appendix 7.4.1 of the SGX-ST Listing Manual) is appended below:

	Mr Gao Zhong Fa	Mr Kong Xiang Chao
Date of Appointment	May 13, 2005	May 13, 2005
Date of last re-appointment (if applicable)	April 28, 2016	April 28, 2016
Age	57 (born on March 8,1962)	75 (born on September 29,1944)
Country of principal residence	China	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Gao Zhong Fa's years of experience in the food industry will continue to help management steer the Group towards the direction of growth	Mr Kong Xiang Chao's vast experience in the Chinese business environment will continue to enhance board deliberations
Whether appointment is executive, and if so, the area of responsibility	Yes, primarily responsible for overseeing and managing Group matters in relation to the local government	No
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Executive Director	Independent Director, a member of the Audit Committee
Professional qualifications	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)	Obtained 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), 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), 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)
Working experience and occupation(s) during the past 10 years	Executive Director of the Company and a director of Shandong Luzhou Food Group Co., Ltd	Independent Director of the Company

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Gao Zhong Fa	Mr Kong Xiang Chao
Shareholding interest in the listed issuer and its subsidiaries	3.84% (22800000 shares)	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7 under Rule 720(1) has been submitted to the listed issuer?	Yes	Yes
Other Principal Commitments Including Directorships "Principal Commitments" has the same meaning as defined in the Code.		
Past (for the last 5 years)	None	None
Present	None	None

INFORMATION REQUIRED		
If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

	Mr Gao Zhong Fa	Mr Kong Xiang Chao
INFORMATION REQUIRED		
If the answer to any question is "yes", full details must be given.		
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Gao Zhong Fa	Mr Kong Xiang Chao
INFORMATION REQUIRED		
If the answer to any question is "yes", full details must be given.		
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or		No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

ANNUAL GENERAL MEETING
PROXY FORM

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

IMPORTANT
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person, provided that he has been appointed as a proxy by his CPF approved agent bank. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF approved agent banks to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the AGM.
2. This Proxy Form is not valid for use by CPF Investors and SRS 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 (%)

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 Oriole Room 2, National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739 on Friday, 26 April 2019 at 2.30 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 financial statements for financial year ended 31 December 2018		
2.	Re-election of Mr Gao Zhong Fa as a Director		
3.	Re-election of Mr Kong Xiang Chao 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		

(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. Alternatively, if you wish to exercise your votes both for and against the resolution, please indicate the number of shares in the respective spaces provided.)

Dated this ______________ day of ______________ 2019

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

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

Notes:-

1. Unless otherwise permitted under the Companies Act, Chapter 50 (the "**Companies Act**"), 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. A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

3. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form.

4. 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 81SF of the Securities and Futures Act, Chapter 289), 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.

5. This proxy form duly executed 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.

6. This proxy form must be executed 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.

7. 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.

8. 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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person, provided that he has been appointed as a proxy by his CPF approved agent bank. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF approved agent banks to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the AGM.

10. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2019.

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

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