

CIRCULAR DATED 3 AUGUST 2020

THIS CIRCULAR IS ISSUED BY LUZHOU BIO-CHEM TECHNOLOGY LIMITED (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF CEL IMPETUS CORPORATE FINANCE PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS) TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The SGX-ST (as defined herein) assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration No.: 200412523N)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL GENERAL OFFER

by

RHT CAPITAL PTE. LTD.

(Company Registration No.: 201109968H)
(Incorporated in the Republic of Singapore)

for and on behalf of

STARNOVA PTE. LTD.

(Company Registration No.: 201941389H)
(Incorporated in the Republic of Singapore)

to acquire all the Offer Shares (as defined herein)

Independent Financial Adviser to the Independent Directors



CEL Impetus Corporate Finance Pte Ltd

CEL Impetus Corporate Finance Pte. Ltd.

(Company Registration No.: 201631484Z)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 17 AUGUST 2020, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).

CONTENTS

DEFINITIONS.....	2
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	7
INDICATIVE TIMETABLE	8
LETTER TO SHAREHOLDERS.....	9
1. INTRODUCTION.....	9
2. THE OFFER	9
3. PROCEDURES FOR ACCEPTANCE.....	15
4. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS	22
5. IRREVOCABLE UNDERTAKINGS.....	22
6. RATIONALE FOR THE OFFER.....	23
7. THE OFFEROR'S INTENTIONS FOR THE COMPANY	24
8. FINANCIAL ASPECTS OF THE OFFER.....	26
9. DISCLOSURES OF HOLDINGS AND DEALINGS.....	26
10. CONFIRMATION OF FINANCIAL RESOURCES	28
11. OVERSEAS SHAREHOLDERS	28
12. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS	29
13. DIRECTORS' INTERESTS	30
14. ADVICE AND RECOMMENDATION	30
15. ACTION TO BE TAKEN BY SHAREHOLDERS.....	34
16. CONSENTS	34
17. DOCUMENTS AVAILABLE FOR INSPECTION	35
18. DIRECTORS' RESPONSIBILITY STATEMENT	35
19. ADDITIONAL INFORMATION	35
APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER.....	A-1
APPENDIX B – ADDITIONAL GENERAL INFORMATION.....	B-1
APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR.....	C-1
APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018	D-1
APPENDIX E – FY2019 RESULTS.....	E-1
APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION.....	F-1
APPENDIX G – VALUATION REPORTS	G-1

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“Accepting Shareholders”	:	Shall have the meaning ascribed to it in Section 2.5 of the Letter to Shareholders in the Offer Document, which is reproduced in Section 2.1 of this Circular
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“Announcement Date”	:	30 June 2020, being the date of the Offer Announcement
“Appraised Assets”	:	Shall have the meaning ascribed to it in Paragraph 11 of Appendix B to this Circular
“Business Day”	:	A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 3 August 2020 in relation to the Offer, enclosing, <i>inter alia</i> , the IFA Letter
“Closing Date”	:	5.30 p.m. (Singapore time) on 17 August 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	Luzhou Bio-Chem Technology Limited
“Constitution”	:	The constitution of the Company
“CPF”	:	Central Provident Fund
“CPFIS”	:	Central Provident Fund Investment Scheme
“CPFIS Investors”	:	Investors who purchase Shares using their CPF contributions pursuant to the CPFIS
“Directors”	:	The directors of the Company as at the Latest Practicable Date, and “Director” means any one of them
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are deposited with CDP and which forms part of the Offer Document
“FAT”	:	Form of Acceptance and Transfer for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of the Offer Document
“FY2016”	:	Financial year ended 31 December 2016
“FY2017”	:	Financial year ended 31 December 2017

DEFINITIONS

“FY2018”	:	Financial year ended 31 December 2018
“FY2019”	:	Financial year ended 31 December 2019
“FY2019 Results”	:	The unaudited consolidated financial statements of the Group for FY2019 which were released by the Company on SGXNET on 26 February 2020
“Group”	:	The Company and its subsidiaries
“IFA”	:	CEL Impetus Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in connection with the Offer
“IFA Letter”	:	Shall have the meaning ascribed to it in Section 14 of this Circular
“Independent Directors”	:	The Directors of the Company who are considered independent for the purposes of the Offer, namely, Mr. Teoh Teik Kee, Mr. Ong Wei Jin, Mr. Wang De You, Mr. Gao Zhong Fa and Mr. Kong Xiang Chao
“Interested Person”	:	As defined in Note on Rule 24.6 of the Code and read with Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or Substantial Shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer, or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Irrevocable Undertakings”	:	The irrevocable undertakings received by the Offeror pursuant to which the Non-Independent Director and Faith Corporate International Limited undertook to, <i>inter alia</i> , tender all of their respective Shares in acceptance of the Offer
“Latest Practicable Date”	:	24 July 2020, being the latest practicable date prior to the printing of this Circular

DEFINITIONS

“Listing Manual”	: The listing manual of the SGX-ST, as amended up to the Latest Practicable Date
“Market Day”	: A day on which the SGX-ST is open for the trading of securities
“Non-Independent Director”	: Mr. Niu Ji Xing
“Offer”	: The voluntary conditional general offer made by RHTC for and on behalf of the Offeror for the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Announcement”	: The announcement relating to the Offer released by RHTC, for and on behalf of the Offeror, on the Announcement Date
“Offer Document”	: The offer document dated 20 July 2020, including the FAA and FAT, and any other document(s) which may be issued by the Offeror to amend, revise, supplement or update the document(s) from time to time
“Offer Price”	: S\$0.03 in cash for each Offer Share
“Offer Shares”	: All Shares, including those Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror
“Offeror”	: Starnova Pte. Ltd.
“Offeror Securities”	: Ordinary shares in the capital of the Offeror, equity share capital of the Offeror and other securities which carry substantially the same rights in the Offeror, and convertible securities, warrants, options and derivatives in respect of such shares or securities
“Overseas Shareholders”	: Shareholders whose addresses are outside Singapore as shown on the Register or, as the case may be, in the records of CDP
“PRC”	: The People’s Republic of China
“Reference Period”	: The period commencing on 30 March 2020, being the date falling three months prior to the Announcement Date, and ending on the Latest Practicable Date
“Register”	: The register of holders of Shares, as maintained by the Registrar
“Registrar”	: RHT Corporate Advisory Pte. Ltd. located at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712
“Relevant Securities”	: (a) Shares; (b) other securities which carry voting rights in the Company; and (c) convertible securities, warrants, options, awards or derivatives in respect of any Shares or securities which carry voting rights in the Company
“RHTC”	: RHT Capital Pte. Ltd.
“Securities Account”	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account

DEFINITIONS

“SFA”	: The Securities and Futures Act, Chapter 289 of Singapore
“SGXNET”	: A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	: Issued and paid-up ordinary shares in the share capital of the Company (excluding treasury shares)
“SIC”	: Securities Industry Council of Singapore
“SRS”	: The Supplementary Retirement Scheme
“SRS Investors”	: Investors who purchase Shares pursuant to SRS
“Substantial Shareholder”	: A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares
“Valuation Reports”	: The valuation reports issued by the Valuers in respect of the Appraised Assets in connection with the Offer, as set out in Appendix G to this Circular
“Valuers”	: Cushman & Wakefield Limited, the independent valuers commissioned by the Company to conduct valuations of the Appraised Assets in connection with the Offer
<i>Units and currencies</i>	
“RMB”	: Chinese Yuan Renminbi, representing the lawful currency of the PRC
“S\$” and “cents”	: Singapore dollars and cents respectively, being the lawful currency of Singapore
“%” or “per cent.”	: Per centum or percentage

Acting in Concert. Unless otherwise defined, the expression “**acting in concert**” shall have the same meaning as ascribed to it in the Code.

Announcements and notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Capitalised Terms in Extracts. Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements and not defined herein shall bear the same meanings as attributed to them in the Offer Document, the IFA Letter and the Constitution respectively.

Depositor, Depository Agent and Depository Register. The expressions “**Depositor**”, “**Depository Agent**”, and “**Depository Register**” shall have meanings ascribed to them respectively in Section 81SF of the SFA.

DEFINITIONS

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing a single gender shall, where applicable, include any or all genders. References to persons shall, where applicable, include corporations.

Genders. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in the figures in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the Code, the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning as ascribed to it under the Companies Act, the Code, the Listing Manual, the SFA or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them in Sections 5 and 6 of the Companies Act respectively.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively unless otherwise stated.

Total number of Shares and Percentage as at the Latest Practicable Date. In this Circular, the total number of Shares is a reference to a total of 594,000,000 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA on the Latest Practicable Date, unless the context otherwise requires. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 594,000,000 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA on the Latest Practicable Date. As at the Latest Practicable Date, the Company does not hold any treasury shares.

Legal Counsel. For the purposes of this Circular, Lee & Lee has been appointed as the legal counsel to the Company as to Singapore law in relation to the Offer.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of the Offer Document : 20 July 2020

Date of despatch of this Circular : 3 August 2020

Closing Date : **5.30 p.m. (Singapore time) on 17 August 2020** or such later date(s) as may be announced from time to time by or on behalf of the Offeror

Date of settlement of consideration for valid acceptances of the Offer : Subject to the Offer becoming or being declared unconditional in all respects and to the receipt by the Offeror from Accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in the Offer Document and in the Relevant Acceptance Forms, and in the case of a Depositor, the receipt by the Offeror of a confirmation satisfactory to it that the number of Offer Shares tendered by the Depositor in acceptance of the Offer are standing to the credit of the "Free Balance" of the Depositor's Securities Account at the relevant time, remittances for the appropriate amounts will be made, pursuant to Rule 30 of the Code, to the Accepting Shareholders (or, in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) in the manner as they may have agreed with CDP for payment of any cash distribution as soon as practicable and in any case:

- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of such date; or
- (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

Please refer to Paragraph 2 of Appendix 1 to the Offer Document for further information.

LETTER TO SHAREHOLDERS

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200412523N)

Board of Directors:

Mr. Niu Ji Xing
Mr. Wang De You
Mr. Gao Zhong Fa
Mr. Teoh Teik Kee
Mr. Kong Xiang Chao
Mr. Ong Wei Jin

Registered Office:

18 Cross Street
#07-11
Cross Street Exchange¹
Singapore 048423

3 August 2020

To: The Shareholders of Luzhou Bio-Chem Technology Limited

Dear Sir / Madam

VOLUNTARY CONDITIONAL GENERAL OFFER BY RHTC, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

- 1.1 Offer Announcement.** On 30 June 2020, RHTC, for and on behalf of the Offeror, announced that the Offeror intended to make a voluntary conditional general offer for the Offer Shares at the Offer Price of S\$0.03 for each Offer Share.
- 1.2 Offer Document.** Shareholders should by now have received a copy of the Offer Document and the Relevant Acceptance Forms, which set out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on pages 8 and 9 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer contained in the Offer Document carefully.**

The Offer Announcement and the Offer Document are available for download from the website of the SGX-ST at www.sgx.com.

- 1.3 Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors on the Offer before deciding on whether to accept or reject the Offer. If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

- 2.1 Terms of the Offer.** The Offer is made by RHTC, for and on behalf of the Offeror, on the principal terms set out in Section 2 of the Letter to Shareholders in the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

¹ "Cross Street Exchange" is formerly known as "China Square Central". In the Offer Document, the registered office of the Company is set out as 18 Cross Street, #07-11, China Square Central, Singapore 048423.

LETTER TO SHAREHOLDERS

“2. TERMS OF THE OFFER

2.1. Offer. RHTC, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Offer Shares, in accordance with Section 139 of the SFA and the Code.

2.2. Offer Shares. The Offer is extended to all Shares, including those Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror (“**Offer Shares**”).

2.3. Offer Price. The consideration for each Offer Share will be as follows:

For each Offer Share: S\$0.03 in cash (“Offer Price”).

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.4. No Encumbrances. The Offer Shares are to be acquired (i) fully paid, (ii) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (“**Encumbrances**”), and (iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and hereafter attaching thereto, including but not limited to, the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, the “**Distributions**” and each, a “**Distribution**”) on or after the Announcement Date.

2.5. Adjustment for Distributions. Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be announced, declared, paid or made by the Company on or after the Announcement Date.

Accordingly, in the event any Distribution is or has been announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer (“**Accepting Shareholder**”) shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such Accepting Shareholder falls, as follows:

2.5.1. if such settlement date falls **on or before** the books closure date for the determination of entitlements to the Distribution (“**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; and

2.5.2. if such settlement date falls **after** the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

LETTER TO SHAREHOLDERS

2.6. Minimum Acceptance Condition. *The Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances pursuant to the Offer (which have not been withdrawn) in respect of such number of Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding not less than 90.0% of the total number of Shares in issue as at the close of the Offer (“Minimum Acceptance Condition”).*

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Shares which will result in the Offeror and parties deemed to be acting in concert with it holding such number of Shares amounting to not less than 90.0% of the maximum potential issued share capital of the Company.

Save as provided in this Section 2.6, the Offer is unconditional in all other respects.”

2.2 Warranty. The Offer is subject to a warranty as set out in Section 3 of the Letter to Shareholders in the Offer Document, extracts of which are set out below.

“3. WARRANTY

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof: (i) fully paid; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and hereafter attaching thereto, including but not limited to, the right to receive and retain all Distributions announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date.”

2.3 Details of the Offer. The further details of the Offer are set out in Section 4 of the Letter to Shareholders in the Offer Document and Appendix 1 to the Offer Document, extracts of which are set out below.

“4. DETAILS OF THE OFFER

Appendix 1 to this Offer Document sets out further details on: (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

...

APPENDIX 1

DETAILS OF THE OFFER

1. DURATION OF THE OFFER

1.1 First Closing Date. *The Offer is open for acceptance by Shareholders for at least 28 days from the Commencement Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 17 August 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.*

LETTER TO SHAREHOLDERS

1.2 Subsequent Closing Date(s). *If the Offer is extended and is:*

- 1.2.1 *not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or*
- 1.2.2 *unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.*

1.3 No Obligation to Extend the Offer. *The Offeror is not obliged to extend the Offer if the minimum acceptance condition specified in **Section 2.6** of the Letter to Shareholders in this Offer Document is not fulfilled by the Closing Date.*

1.4 Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances. *In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer has become or is declared unconditional as to acceptances, the Offer will remain open for a period ("**Rule 22.6 Period**") of not less than 14 days after the date on which it would otherwise have closed.*

*This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days notice in writing ("**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:*

- 1.4.1 *the Offeror may not give a Shut-Off Notice in a competitive situation; and*
- 1.4.2 *the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.*

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

*If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with **Paragraph 4.2.1** of this **Appendix 1**, the Rule 22.6 Period will run from the date of such confirmation (if given) or the date on which the Offer would otherwise have closed, whichever is later.*

1.5 Final Day Rule. *The Offer (whether revised or not) will not be capable:*

- 1.5.1 *of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Commencement Date; or*
- 1.5.2 *of being kept open after 5.30 p.m. (Singapore time) on the 60th day after the Commencement Date unless the Offer has previously become or been declared to be unconditional as to acceptances,*

*provided that the Offeror may extend the Offer beyond such 60-day period with SIC's prior consent ("**Final Day Rule**"). The SIC will normally grant such permission if a competing offer has been announced.*

1.6 Revision. *Pursuant to Rule 20.1 of the Code, the terms of the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.*

LETTER TO SHAREHOLDERS

2. SETTLEMENT

2.1 When Settlement is Due for All Shareholders. Subject to the Offer becoming or being declared unconditional in all respects and to the receipt by the Offeror from Accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the Relevant Acceptance Forms, and in the case of a depositor, the receipt by the Offeror of a confirmation satisfactory to it that the number of Offer Shares tendered by the depositor in acceptance of the Offer are standing to the credit of the "Free Balance" of the depositor's Securities Account at the relevant time, remittances for the appropriate amounts will be made, pursuant to Rule 30 of the Code, to the Accepting Shareholders (or, in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) in the manner as they may have agreed with CDP for payment of any cash distribution as soon as practicable and in any case:

2.1.1 in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of such date; or

2.1.2 in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

3. ANNOUNCEMENTS

3.1 Timing and Contents. Pursuant to Rule 28.1 of the Code, by 8.00 a.m. on the Market Day ("**Relevant Day**") immediately after the day on which the Offer is due to expire, or the Offer becomes or is declared to be unconditional as to acceptances, or the Offer is revised or extended, the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):

3.1.1 for which valid acceptances of the Offer have been received;

3.1.2 held by the Offeror and any of its concert parties prior to the commencement of the Offer period; and

3.1.3 acquired or agreed to be acquired by the Offeror and any of its concert parties during the Offer period,

and will specify the percentages of the total number of Shares represented by such numbers.

3.2 Suspension. Under Rule 28.2(a) of the Code, if the Offeror is unable, within the time limit, to comply with any of the requirements in **Paragraph 3.1** of this **Appendix 1**, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

3.3 Valid Acceptances for Offer Shares.

3.3.1 Under Rule 28.1 of the Code and subject to **Section 16.1** of the Letter to Shareholders in this Offer Document, in computing the number of Offer Shares represented by acceptances, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects.

LETTER TO SHAREHOLDERS

3.3.2 *Acceptances of the Offer will only be treated as valid for the purposes of the minimum acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.*

4. **RIGHT OF WITHDRAWAL**

4.1 **Acceptances Irrevocable.** *Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.*

4.2 **Right of Withdrawal of Shareholders.** *A Shareholder who has accepted the Offer may withdraw his acceptance:*

4.2.1 *immediately if the Offer has become or been declared to be unconditional as to acceptances but the Offeror fails to comply with any of the requirements set out in **Paragraph 3.1** of this **Appendix 1** by 3.30 p.m. (Singapore time) on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, the Offeror may terminate this right of withdrawal not less than eight (8) days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in **Paragraph 3.1** of this **Appendix 1**;*

4.2.2 *after 14 days from the first Closing Date of the Offer, if the Offer has not by then become unconditional as to acceptances. Such entitlement to withdraw may be exercisable until the Offer becomes or is declared to be unconditional as to acceptances; and*

4.2.3 *immediately if a competing offer for the Shares becomes or is declared to be unconditional as to acceptances. This right of withdrawal also applies in the converse situation, i.e. if the Offer becomes or is declared to be unconditional as to acceptances, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance for such offer immediately.*

4.3 **Procedure for Withdrawal of Acceptances.** *To withdraw his acceptance under the Offer:*

4.3.1 *an Accepting Shareholder holding Offer Shares which **are not deposited with** CDP must give written notice to the Offeror at Starnova Pte Ltd. c/o from RHT Corporate Advisory Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower Singapore 049712; and*

4.3.2 *an Accepting Shareholder holding Offer Shares which **are deposited with** CDP must give written notice to the Offeror at Starnova Pte. Ltd. c/o The Central Depository (Pte) Limited, 11 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.*

A notice of withdrawal shall be effective only if signed by the Accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to the Offeror within the said notice and when actually received by the Offeror."

2.4 **Closing Date.** The Offer will close at **5.30 p.m. (Singapore time) on 17 August 2020** or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

LETTER TO SHAREHOLDERS

3. PROCEDURES FOR ACCEPTANCE

The procedures for acceptance of the Offer are set out in Section 5 of the Letter to Shareholders in the Offer Document and Appendix 2 to the Offer Document, extracts of which are set out below.

“5. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this Offer Document sets out the procedures for acceptance of the Offer.

...

APPENDIX 2

PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

1.1 Depositors

1.1.1 Depositors whose Securities Accounts are credited with Offer Shares.

If you have Offer Shares standing to the credit of the “Free Balance” of your Securities Account, you should receive this Offer Document together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from customer service at CDP.

Acceptance. *If you wish to accept the Offer, you should:*

- (i) *complete the FAA in accordance with the provisions and instructions in this Offer Document and the FAA (which provisions and instructions shall be deemed to form part of the terms and conditions of the Offer). In particular, you must state in **Part A** of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer. Please note that:*

- (a) *if you:*

- (I) *do not specify any number; or*

- (II) *specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date,*

you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date); and

- (b) *if:*

- (I) *at the time of verification by CDP of the FAA on the Date of Receipt, **Paragraph 1.1.1(i)(a)(II)** of this **Appendix 2** is applicable in respect of the FAA;*

LETTER TO SHAREHOLDERS

(II) there are, at such time of verification and/or at any subsequent time before 5.30 p.m. (Singapore time) on the Closing Date, outstanding settlement instructions with CDP to receive further Offer Shares into the “Free Balance” of your Securities Account (“**Unsettled Buy Position**”); and

(III) the Unsettled Buy Position will settle such that the Offer Shares in the Unsettled Buy Position (A) are transferred to the “Free Balance” of your Securities Account on the Date of Receipt or (B) will be transferred to the “Free Balance” of your Securities Account on or before 5.30 p.m. on the Closing Date (“**Settled Offer Shares**”),

then you will also be deemed to have accepted the Offer in respect such number of Settled Offer Shares representing the balance number of Offer Shares inserted in **Part A** of the FAA which has not yet been accepted pursuant to **Paragraph 1.1.1(i)(a)(II)** of this **Appendix 2**, or all Settled Offer Shares, whichever is less;

(ii) sign the FAA in accordance with this **Appendix 2** and the instructions printed on the FAA; and

(iii) deliver the completed and signed FAA (no part may be detached or otherwise mutilated) **by post**, in the enclosed pre-addressed envelope at your own risk, to Starnova Pte. Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee.

If you are a depository agent, you may accept the Offer via Electronic Acceptance. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf and such Electronic Acceptances must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date.** Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.

1.1.2 Depositors whose Securities Accounts will be credited with Offer Shares. If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the “Free Balance” of your Securities Account, you should also receive this Offer Document together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you have purchased the Offer Shares on the SGX-ST, from customer service at CDP.

LETTER TO SHAREHOLDERS

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares :

- (i) complete and sign the FAA in accordance with **Paragraph 1.1.1** of this **Appendix 2** and the instructions printed on the FAA; and
- (ii) deliver the completed and signed FAA (no part may be detached or otherwise mutilated) **by post**, in the enclosed pre-addressed envelope at your own risk, to Starnova Pte. Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is enclosed with the FAA, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.

Rejection. If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be, credited to the “Free Balance” of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of CDP, RHTC, the Registrar and/or the Offeror accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

If you purchase Offer Shares on the SGX-ST, your acceptance in respect of such Offer Shares is liable to be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares by 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date), save where you had indicated the number of Offer Shares you wish to tender in acceptance of the Offer in **Part A** of the FAA and there is an Unsettled Buy Position on or subsequent to the time of verification by CDP of the FAA on the Date of Receipt which settles on or before 5.30 p.m. (Singapore time) on the Closing Date. If an Unsettled Buy Position does not settle on or before 5.30 p.m. (Singapore time) on the Closing Date, your acceptance in respect of such Offer Shares will be rejected. None of CDP, RHTC, the Registrar and the Offeror accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

- 1.1.3 **Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to the “Free Balance” of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the “Free Balance” of your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the “Free Balance” of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares. The provisions set out above shall apply in the same way to your acceptance of the Offer.

LETTER TO SHAREHOLDERS

- 1.1.4 **FAAs received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FAAs received by CDP on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.
- 1.1.5 **General.** No acknowledgement will be given by CDP for submissions of FAAs. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number in your Securities Account: (i) through CDP Online if you have registered for the CDP Internet Access Service; or (ii) through the CDP Phone Service using SMS OTP, under the option "To check your securities balance".
- 1.1.6 **Blocked Balance.** Upon receipt of the signed original of the FAA which is complete and valid in all respects, CDP will take such measures as it may consider necessary or expedient to prevent any trading of the Offer Shares in respect of which you have accepted the Offer during the period commencing on the Date of Receipt and ending on the date of settlement of the consideration for such Offer Shares, in the event of the Offer becoming or being declared to be unconditional in all respects in accordance with its terms (including, without limitation, earmarking or blocking the Offer Shares in respect of which you have accepted the Offer and/or transferring them to the "Blocked Balance" of your Securities Account). Such Offer Shares will be held in the "Blocked Balance" until the consideration for such Offer Shares has been despatched to you.
- 1.1.7 **Notification.** If you have accepted the Offer in accordance with the provisions contained in this **Appendix 2** and the FAA, upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price for the appropriate amount in such manner that you have agreed with CDP for the payment of any cash distribution, at your own risk, as soon as practicable and in any event:
- (i) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared unconditional in all respects in accordance with its terms, within seven (7) Business Days of that date; or
 - (ii) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.
- 1.1.8 **Return of Offer Shares.** In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will return the aggregate number of Offer Shares in respect of which you have accepted the Offer and tendered for acceptance under the Offer to the "Free Balance" of your Securities Account as soon as possible and in any event within 14 days from the lapse or withdrawal of the Offer.

LETTER TO SHAREHOLDERS

1.2 Scrip Holders

1.2.1 **Shareholders whose Shares are not deposited with CDP.** If you hold Offer Shares which are not deposited with CDP (**"in scrip form"**), you should receive this Offer Document together with a FAT.

1.2.2 **Acceptance.** If you wish to accept the Offer in respect of such Offer Shares, you should:

(i) complete the FAT in accordance with the provisions and instructions in this Offer Document and the FAT (which provisions and instructions shall be deemed to form part of the terms and conditions of the Offer). In particular, you must state in **Part A** of the FAT, the number of Offer Shares in respect of which you wish to accept the Offer and state in **Part B** of the FAT, the share certificate number(s) of the relevant share certificate(s). If you:

(a) do not specify a number in **Part A** of the FAT; or

(b) specify a number in **Part A** of the FAT which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,

you shall be deemed to have accepted the Offer in respect of the total number of Offer Shares represented by the share certificate(s) accompanying the FAT;

(ii) sign the FAT in accordance with this **Appendix 2** and the instructions printed on the FAT; and

(iii) deliver:

(a) the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);

(b) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or the Receiving Agent relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT;

(c) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it); and

(d) any other relevant document(s),

LETTER TO SHAREHOLDERS

either:

- (I) **by hand**, to Starnova Pte. Ltd. c/o RHT Corporate Advisory Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower Singapore 049712; or
- (II) **by post**, in the enclosed pre-addressed envelope at your own risk, to Starnova Pte. Ltd. c/o RHT Corporate Advisory Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower Singapore 049712,

in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope at your own risk which is enclosed with the FAT, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.

- 1.2.3 **Receipt.** No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other accompanying document(s) will be given by the Offeror, RHTC or the Receiving Agent.
- 1.2.4 **Return of Offer Shares.** In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT, the share certificate(s) and any other accompanying document(s) will be returned to you as soon as possible and in any event, within 14 days of the lapse or withdrawal of the Offer.
- 1.2.5 **FATs received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FATs received by the Receiving Agent on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.

2. GENERAL

- 2.1 **Disclaimer and Discretion.** The Offeror, RHTC, the Registrar/Receiving Agent and/ or CDP will be entitled, in their sole and absolute discretion, to reject or treat as valid any acceptance of the Offer through the FAA and/or the FAT, as the case may be, which is not entirely in order or which does not comply with the terms of this Offer Document and the Relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or the FAT, as the case may be, is properly completed in all respects and that the FAA and/or the FAT, as the case may be, should be submitted with original signature(s) and that all required documents, where applicable, are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror, RHTC, the Registrar/ Receiving Agent and/or CDP accepts any responsibility or liability for such a decision, including the consequences of such a decision. The Offeror and RHTC each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of any of them at any place or places determined by them otherwise than as stated in this Offer Document and in the FAA and/or the FAT, as the case may be, or if made otherwise than in accordance with the provisions of this Offer Document and in the FAA and/or the FAT, as the case may be.

LETTER TO SHAREHOLDERS

- 2.2 Scrip and Scripless Offer Shares.** *If you hold some Offer Shares in scrip form and others with CDP, you should complete a FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this **Appendix 2** and the Relevant Acceptance Forms if you wish to accept the Offer in respect of such Offer Shares.*
- 2.3 Deposit Time.** *If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer by way of the FAA if you were to deposit your share certificate(s) with CDP during the period beginning on the Commencement Date and ending on the Closing Date (both dates inclusive). If you wish to accept the Offer in respect of such Offer Shares held in scrip form, you should complete a FAT and follow the procedures set out in **Paragraph 1.2** of this **Appendix 2**.*
- 2.4 Correspondences.** *All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of scrip holders, your designated agent or, in the case of joint Accepting Shareholders who have not designated any agent, to the one first named in the records of CDP or the Register, as the case may be) will be sent by ordinary post to your respective mailing addresses as they appear in the records of CDP or the Register, as the case may be, at the risk of the person entitled thereto (or for the purposes of remittances only, to such different names and addresses as may be specified by you in the FAA and/or the FAT, as the case may be, at your own risk).*
- 2.5 Evidence of Title.** *Delivery of the duly completed and signed FAA and/or FAT, together with the relevant share certificate(s) and/or other documents of title (where applicable) and/or other relevant document(s) required by the Offeror, CDP and/or the Registrar/Receiving Agent, to the Offeror, CDP and/or the Registrar/Receiving Agent, as the case may be, shall be conclusive evidence in favour of the Offeror, CDP and/or the Registrar/Receiving Agent, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.*
- 2.6 Loss in Transmission.** *The Offeror, RHTC, the Registrar/Receiving Agent and/or CDP, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.*
- 2.7 Acceptances Irrevocable.** *Except as expressly provided in this Offer Document and the Code, the acceptance of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable and any instructions or subsequent FAA(s) and/or FAT(s) received by CDP and/or the Registrar/Receiving Agent, as the case may be, after the FAA and/or the FAT, as the case may be, has been received shall be disregarded.*
- 2.8 Personal Data Privacy.** *By completing and delivering a Relevant Acceptance Form, each person: (i) consents to the collection, use and disclosure of his personal data by CDP, the Registrar/Receiving Agent, the Offeror, RHTC and the Company (the “**Relevant Persons**”) for the purpose of facilitating his acceptance of the Offer, and in order for the Relevant Persons to comply with any applicable laws, regulations and/or guidelines; (ii) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable laws, regulations and/or guidelines; and (iii) agrees that he will indemnify the Relevant Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.”*

LETTER TO SHAREHOLDERS

4. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

Section 6 of the Letter to Shareholders in the Offer Document sets out certain information on the Offeror and its Shareholders, extracts of which are set out below. Additional information on the Offeror extracted from Appendix 3 to the Offer Document is set out in Appendix C to this Circular.

“6. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

- 6.1. The Offeror.** *The Offeror was incorporated in the Republic of Singapore on 6 December 2019 and is a private company limited by shares. Its principal activity is that of investment holding. The Offeror has not carried on any business since its incorporation, except for matters in connection with making the Offer.*
- 6.2. Share Capital and Shareholder.** *As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$1.00 with one (1) ordinary share (“Offeror Shares”). NJX is the sole shareholder of the Offeror. NJX holds 7,820,700 Shares in the Company, representing approximately 1.32% of the issued Shares.*
- 6.3. Director.** *As at the Latest Practicable Date, NJX is the sole Director of the Company.*

Appendix 3 to this Offer Document sets out additional information on the Offeror.”

5. IRREVOCABLE UNDERTAKINGS

Section 8 of the Letter to Shareholders in the Offer Document sets out certain information relating to the Irrevocable Undertakings received by the Offeror, extracts of which are set out below.

“8. IRREVOCABLE UNDERTAKINGS

- 8.1. NJX Irrevocable Undertaking.** *As at the Latest Practicable Date, the Offeror has received the NJX Irrevocable Undertaking pursuant to which NJX has, amongst other things, unconditionally and irrevocably undertaken, represented and warranted to the Offeror (i) to tender all of his Shares (representing approximately 1.32% of the Shares) in acceptance of the Offer, and (ii) not to accept (or permit the acceptance of) any competing offer.*
- 8.2. Faith Irrevocable Undertaking.** *As at the Latest Practicable Date, the Offeror has received the Faith Irrevocable Undertaking pursuant to which Faith has, amongst other things, unconditionally and irrevocably undertaken, represented and warranted to the Offeror (i) to tender all of its Shares (representing approximately 39.89% of the Shares) in acceptance of the Offer, and (ii) not to accept (or permit the acceptance of) any competing offer.*
- 8.3. Faith.** *As at the Latest Practicable Date, Faith is an investment holding company, incorporated in the British Virgin Islands, with a paid-up share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Faith is wholly owned by NJX. NJX is also the sole director of Faith. As mentioned, Faith holds 236,925,000 Shares in the Company, representing approximately 39.89% of the issued Shares.*
- 8.4. Waiver of Consideration.** *Both NJX and Faith have each agreed, pursuant to the terms of the NJX Irrevocable Undertaking and the Faith Irrevocable Undertaking respectively, to waive their rights under Rule 30 of the Code to receive the cash consideration payable to each of them by the Offeror under the terms of the Offer in return for the issuance of new Offeror Shares in the proportion of their current shareholdings vis-à-vis one another in the Company following the valid tender of all of his Shares in acceptance of the Offer.*

LETTER TO SHAREHOLDERS

- 8.5. Cessation of NJX Irrevocable Undertaking.** *The NJX Irrevocable Undertaking shall lapse and be of no further force and effect on the date on which the Offer (including any revised or improved Offer by or on behalf of the Offeror) closes, lapses, fails to become or be declared unconditional or is withdrawn other than as a result of NJX breaching his obligations under the NJX Irrevocable Undertaking.*
- 8.6. Cessation of Faith Irrevocable Undertaking.** *The Faith Irrevocable Undertaking shall lapse and be of no further force and effect on the date on which the Offer (including any revised or improved Offer by or on behalf of the Offeror) closes, lapses, fails to become or be declared unconditional or is withdrawn other than as a result of Faith breaching his obligations under the Faith Irrevocable Undertaking.*
- 8.7. No Other Undertakings.** *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any undertakings from any other party to accept or reject the Offer.*
- 8.8. Available for Inspection.** *Copies of the NJX Irrevocable Undertaking and the Faith Irrevocable Undertaking are available for inspection at the offices of the Registrar at 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712 during normal business hours upon prior appointment with the Registrar from 20 July 2020, until the date on which the Offer closes, lapses or is withdrawn in accordance with its terms.”*

6. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 9 of the Letter to Shareholders in the Offer Document, as set out below.

“9. RATIONALE FOR THE OFFER

- 9.1. Intention to delist and privatise the Company.** *The Offeror intends to make the Offer with a view to delisting and privatising the Company.*
- 9.2. Opportunity for Shareholders to realise their investment in the Shares at a premium.** *The Offer Price represents a premium of approximately 87.5%, 130.8%, 150.0% and 150.0% over the VWAP per Share for the 1-month, 3-month, 6-month and 12-month periods respectively up to and including 26 June 2020, being the Last Trading Date. The Offer Price also represents a premium of 100.0% over the last transacted price per Share on the Last Trading Date.*

The Offer Price under the Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

LETTER TO SHAREHOLDERS

- 9.3. Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity.** The historical trading volume of the Shares has been low. The average daily trading volume of the Shares over the last 1-month, 3-month, 6-month and 12-month periods up to and including the Last Trading Date are set out in the table below:

Description	Average daily trading volume ⁽¹⁾	Average daily trading volume as a percentage of total number of issued Shares (%) ⁽²⁾
1-month period prior to and including the Last Trading Date	716,075	0.12
3-month period prior to and including the Last Trading Date	608,365	0.10
6-month period prior to and including the Last Trading Date	519,797	0.09
12-month period prior to and including the Last Trading Date	424,373	0.07

Notes:

- (1) The average daily trading volume is computed based on data extracted from Bloomberg L.P. using the total volume of Shares traded divided by the number of traded days with respect to the 1-month period, 3-month period, 6-month period and 12-month period prior to and including the Last Trading Date.
- (2) Calculated using the average daily trading volume divided by the total number of issued Shares (excluding treasury shares).

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in the Shares with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which would not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

- 9.4. Greater Management Flexibility.** The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in utilising and deploying the available resources of the Company and facilitating the implementation of any strategic initiatives and/or operational changes of the Company to achieve greater efficiency and competitiveness.
- 9.5. Compliance Costs relating to Listing Status.** If the Company is delisted, the Company will be able to dispense with compliance costs associated with maintenance of a listed status and other regulatory requirements and human resources that have to be committed for such compliance and channel such expenses towards its business operations. In addition, the Company has not carried out any exercise to raise cash funding on the SGX-ST since 2015.”

7. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from Section 10 of the Letter to Shareholders in the Offer Document, as set out below. **Shareholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company and matters relating to compulsory acquisition and listing status and trading suspensions.**

“10. THE OFFEROR’S INTENTIONS FOR THE COMPANY

10.1. The Offeror’s future plans for the Company

The Offeror’s intention is to privatise and delist the Company if the Offer is unconditional as to acceptances.

The Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company and its subsidiaries which may present themselves and which it may regard to be in the interest of the Offeror.

Save as disclosed in this Offer Document, the Offeror intends for the Company to continue with its existing activities and has no intention to (i) introduce any major changes to the business of the Company, (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of any of the existing employees of the Company and its subsidiaries, other than in the ordinary course of business.

10.2. Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, in the event the Offeror receives valid acceptances pursuant to the Offer or acquires or agrees to acquire Shares during the Offer period other than through valid acceptances of the Offer in respect of not less than 90.0% of Shares (other than those Shares already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror would be entitled to exercise its right to compulsorily acquire all the remaining Shares from Shareholders who have not accepted the Offer (“Dissenting Shareholders”) on the same terms as those offered under the Offer.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90.0% or more of the total number of issued shares of the Company. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

10.3. Listing Status and Trading Suspensions

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90.0% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the total number of Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90.0% of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10.0%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under the Listing Manual, “public” refers to persons other than:

- (i) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and*

LETTER TO SHAREHOLDERS

- (ii) associates of the persons referred to in **Section 10.3(i)** above.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares (excluding treasury Shares) held in public hands falls below 10.0%, the Company must, as soon as practicable announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares held in public hands to be raised to at least 10.0%, failing which the Company may be removed from the Official List of the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

8. FINANCIAL ASPECTS OF THE OFFER

Section 11 of the Letter to Shareholders in the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below:

“11. FINANCIAL ASPECTS OF THE OFFER

The Offer Price represents the following premia over the historical traded prices of the Shares as set out below:

	Description	Share Price⁽¹⁾ (S\$)	Premium of Offer Price over Share Price (%)
(a)	<i>Last traded price of the Shares on the SGX-ST on the Last Trading Date</i>	<i>0.015</i>	<i>100.0</i>
(b)	<i>VWAP⁽²⁾ for the 1-month period up to and including the Last Trading Date</i>	<i>0.016</i>	<i>87.5</i>
(c)	<i>VWAP⁽²⁾ for the 3-month period up to and including the Last Trading Date</i>	<i>0.013</i>	<i>130.8</i>
(d)	<i>VWAP⁽²⁾ for the 6-month period up to and including the Last Trading Date</i>	<i>0.012</i>	<i>150.0</i>
(e)	<i>VWAP⁽²⁾ for the 12-month period up to and including the Last Trading Date</i>	<i>0.012</i>	<i>150.0</i>

Notes:

(1) *Rounded to the nearest three (3) decimal places.*

(2) *The VWAP is calculated based on the total value of the Shares divided by volume of the Shares as extracted from Bloomberg L.P.”*

9. DISCLOSURES OF HOLDINGS AND DEALINGS

Section 12 of the Letter to Shareholders in the Offer Document and Appendix 5 to the Offer Document set out certain information relating to disclosures of holdings and dealings, extracts of which are set out below.

LETTER TO SHAREHOLDERS

“12. DISCLOSURES OF HOLDINGS AND DEALINGS

12.1. Holdings and Dealings in Relevant Securities. As at the Latest Practicable Date, based on the latest information available to the Offeror, and save as disclosed in this Offer Document (including **Appendix 5** to this Offer Document), none of: (i) the Offeror; (ii) NJX, the sole director of the Offeror; (iii) Faith; (iv) RHTC; and (v) any other person acting in concert with the Offeror (collectively, “**Relevant Parties**”):

12.1.1. owns, controls or has agreed to acquire any Relevant Securities; or

12.1.2. has dealt for value in any Relevant Securities in the Relevant Period.

12.2. Other Arrangements. As at the Latest Practicable Date, based on the latest information available to the Offeror and save as disclosed in this Offer Document (including **Section 8** of the Letter to Shareholders in this Offer Document and **Appendix 5** to this Offer Document), none of the Relevant Parties has:

12.2.1. entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Relevant Securities which may be an inducement to deal or refrain from dealing;

12.2.2. received any irrevocable commitment or undertaking (other than the Irrevocable Undertakings) to accept or reject the Offer in respect of any Relevant Securities;

12.2.3. granted any security interest in respect of any Relevant Securities in favour of any other person, whether through a charge, pledge or otherwise;

12.2.4. borrowed any Relevant Securities from any other person (excluding those which have been on-lent or sold); or

12.2.5. lent any Relevant Securities to any person.

...

APPENDIX 5

DISCLOSURES

HOLDINGS OF RELEVANT SECURITIES BY THE OFFEROR AND ITS CONCERT PARTIES

The table below sets out the number of Shares held by the Offeror and its concert parties as at the Latest Practicable Date. Based on the latest information available to the Offeror as at the Latest Practicable Date and save as disclosed below, none of the Offeror and its concert parties owns, controls or has agreed to acquire any Relevant Securities as at the Latest Practicable Date.

Name	Direct Interest	
	No. of Shares	%
NJX	7,820,700	1.32
Faith	236,925,000	39.89
Total	244,745,700	41.20⁽¹⁾

Note:

(1) Does not add up due to rounding.”

LETTER TO SHAREHOLDERS

10. CONFIRMATION OF FINANCIAL RESOURCES

Section 13 of the Letter to Shareholders in the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below.

“13. CONFIRMATION OF FINANCIAL RESOURCES

RHTC, as the financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full all acceptances of the Offer by holders of the Offer Shares (excluding the Shares to be tendered by each of NJX and Faith pursuant to the Irrevocable Undertakings).”

11. OVERSEAS SHAREHOLDERS

- 11.1 Availability of Offer.** The availability of the Offer to Shareholders, whose addresses are outside Singapore as shown on the Register or, as the case may be, in the records of CDP may be affected by the laws of the relevant overseas jurisdiction.

Overseas Shareholders should refer to Section 14 of the Letter to Shareholders in the Offer Document, extracts of which are set out below.

“14. OVERSEAS SHAREHOLDERS

14.1. Overseas Shareholders *This Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction. Where there are potential restrictions on sending this Offer Document (including the Relevant Acceptance Forms) to any overseas jurisdiction, the Offeror and RHTC reserve the right not to send this Offer Document (including the Relevant Acceptance Forms) to such overseas jurisdiction. The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Offer Document (including the Relevant Acceptance Forms) has not been, or will not be, sent.*

14.2. Copies of the Offer Document and Relevant Acceptance Forms. *Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws) obtain copies of this Offer Document (including the Relevant Acceptance Forms) and any related documents, during normal business hours up to the Closing Date from RHT Corporate Advisory Pte. Ltd. (if he is a scrip holder) at 30 Cecil Street, #19-08, Prudential Tower. Singapore 049712 or The Central Depository (Pte) Limited (if he is a depositor) at 11 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Alternatively, Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws) write to the Offeror at Starnova Pte. Ltd. c/o RHT Corporate Advisory Pte. Ltd. (if he is a scrip holder) at 30 Cecil Street, #19-08, Prudential Tower. Singapore 049712 or The Central Depository (Pte) Limited (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, to request for this Offer Document (including the Relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*

LETTER TO SHAREHOLDERS

14.3. Compliance with Applicable Laws. *It is the responsibility of any Overseas Shareholder who wishes to: (i) request for this Offer Document (including the Relevant Acceptance Forms) and/or any related documents; or (ii) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements, or the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall also be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including RHTC, CDP and the Registrar/Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and/or any acquisition of Shares pursuant to Section 215(1) or 215(3) of the Companies Act. In (i) requesting for this Offer Document (including the Relevant Acceptance Forms) and/or any related documents; and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, RHTC, CDP and the Registrar/Receiving Agent that he is in (a) full observance of the laws of the relevant jurisdiction in that connection and (b) full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdiction.*

14.4. Notice. *The Offeror and RHTC each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on the SGXNET or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including Overseas Shareholders) to receive or see such announcement, notice or advertisement."*

11.2 Copies of Circular. This Circular may not be sent to Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date, from the offices of the Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, download a copy of this Circular from the website of the SGX-ST at www.sgx.com, or make a request to the Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

12. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

Section 15 of the Letter to Shareholders in the Offer Document sets out information relating to CPFIS Investors and SRS Investors, extracts of which are set out below.

"15. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks (as the case may be) directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks (as the case may be) should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

LETTER TO SHAREHOLDERS

CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks (as the case may be) by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks (as the case may be), which may be earlier than the Closing Date. Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts (as the case may be)."

13. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Offeror Securities and Relevant Securities as at the Latest Practicable Date are set out in Appendix B to this Circular.

14. ADVICE AND RECOMMENDATION

14.1 General. Shareholders should read and carefully consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors dated 3 August 2020, which is set out in Appendix A to this Circular ("**IFA Letter**"), before deciding whether to accept or reject the Offer.

14.2 Independence of Directors

Mr. Niu Ji Xing is a Non-Independent Director as he is the sole shareholder and a director of the Offeror.

Accordingly, the Non-Independent Director is a party acting in concert with the Offeror under the Code and would face an irreconcilable conflict of interest that would render him inappropriate to join the Independent Directors in making a recommendation on the Offer to the Shareholders.

The SIC has ruled that the Non-Independent Director is exempted from making a recommendation to Shareholders in respect of the Offer. The Non-Independent Director must, nonetheless, still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

All of the Independent Directors consider themselves independent for the purposes of making a recommendation on the Offer.

14.3 Advice of the IFA to the Independent Directors

- (a) **IFA.** CEL Impetus Corporate Finance Pte. Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. CEL Impetus Corporate Finance Pte. Ltd.'s advice is set out in its letter dated 3 August 2020, which is set out in Appendix A to this Circular.
- (b) **Factors taken into consideration by the IFA.** In arriving at its recommendations, the IFA has taken into account several key considerations, set forth in paragraph 8 of the IFA Letter. Shareholders should read paragraph 8 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.
- (c) **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, an extract of which is set out below, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors. Shareholders should read the extract below in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

“8. RECOMMENDATION

In arriving at our recommendation in relation to the Offer, we have taken into account the factors which we consider to have a significant bearing on our assessment which includes our analyses as outlined under paragraph 7.1 to 7.8:

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

(a) An assessment of the financial performance and position of the Group

- (i) The Group incurred losses of RMB108.4 million, RMB90.5 million and RMB33.5 million for FY2019, FY2018 and FY2017 respectively;*
- (ii) The Group's net asset value decreased from RMB95.3 million as at 31 December 2017 to a net liability value of RMB103.5 million as at 31 December 2019;*
- (iii) The Group's working capital decreased from RMB34.2 million as at 31 December 2017 to a negative working capital of RMB174.6 million as at 31 December 2019; and*
- (iv) Net cash generated from operating activities decreased from RMB142.0 million in FY2017 to RMB27.8 million in FY2019.*

(b) An assessment of the historical market price and trading activities of the Shares

- (i) The closing price of the Shares were lower than the Offer Price for the entire last 12-month period prior to the Last Traded Day;*
- (ii) The Offer Price represents a premium of 150.00%, 150.00%, 133.77% and 87.50% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;*
- (iii) The Offer Price represents a premium of 3.45% to the closing price on the Market Day immediately after the Offer Announcement Date;*
- (iv) The Offer Price is at a premium of 3.45% to the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date and a premium of 3.45% to the last transacted price as at the Latest Practicable Date respectively;*
- (v) The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior and up to the Last Traded Day represents approximately 0.06%, 0.08%, 0.15% and 0.18% of the Free Float respectively;*
- (vi) The average daily traded volume of the Shares on the Last Traded Day represents 0.02% of the Free Float;*
- (vii) The average daily traded volume of the Shares on the Market Day immediately after the Offer Announcement Date represents 5.66% of the Free Float;*
- (viii) The average daily traded volume of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date represents 1.28% of the Free Float; and*
- (ix) The average daily traded volume of the Shares on the Latest Practicable Date represents 0.04% of the Free Float.*

LETTER TO SHAREHOLDERS

- (c) *An assessment of the historical Share price performance relative to the FSSTI showed that (i) for the 12-month period prior to the Last Traded Day, the Shares had generally overperformed the the FSSTI on a normalised basis; and (ii) the closing price of the Shares had increased by approximately 93.3% while the FSSTI had decreased by 1.0% between the Offer Announcement Date and the Latest Practicable Date.*
- (d) *An assessment of the NTL and Revalued NTL of the Group as follow:*
- (i) *The Offer Price represents a premium to the unaudited NTL per Share; and*
- (ii) *The Offer Price is also at a premium to the unaudited Revalued NTL per Share.*
- (e) *A comparison with the valuation ratios of the Selected Comparable Companies as follows:*
- (i) *The P/E ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group incurred a loss after tax of approximately RMB108.4 million for FY2019. We note that one of the Selected Comparable Companies were traded at P/E ratios of 205.8 times;*
- (ii) *The P/NAV ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net liability value position of RM103.5 million as at 31 December 2019. We note that one of the Selected Comparable Companies were traded at P/NAV ratio of 3.6 times;*
- (iii) *The P/NTA ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a NTL position of RMB150.2 million as at 31 December 2019. We note that one of the Selected Comparable Companies were traded at P/NTA ratio of 3.9 times; and*
- (iv) *The EV/EBIT ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a loss before interest and tax of RMB55.5 million for FY2019. We note that one of the Selected Comparable Companies were traded at EV/EBIT ratio of 84.0 times.*
- (f) *A comparison with the Selected Comparable Transactions as follows:*
- (i) *The premium of 100.0% as implied by the Offer Price over the Last Transacted Price is within the range and higher than the mean and median of the premia for the Selected Comparable Transactions;*
- (ii) *The premium of 87.5% as implied by the Offer Price over the 1-month VWAP prior to the Offer Announcement Date is within the range and higher than the mean and median of premia for the Selected Comparable Transactions;*
- (iii) *The premium of 130.8% as implied by the Offer Price over the 3-month VWAP prior to the Offer Announcement is within the range and higher than the mean and median of premia for the Selected Comparable Transactions; and*
- (iv) *The premium of 150.0% as implied by the Offer Price over the 6-month VWAP prior to the Offer Announcement is within the range and higher than the mean and median of premia for the Selected Comparable Transactions.*

LETTER TO SHAREHOLDERS

*Having considered the above and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that on balance, the financial terms of the Offer are **fair and reasonable**.*

In determining that the Offer is fair, we have considered the following pertinent factors:

- (i) the Offer Price represents a premium of between 87.5% and 150.0% over the VWAPs of the Shares for each of the 12-month, 6-month, 3-month and one-month periods prior to and including the Last Traded Day;*
- (ii) the comparison of the premia of the Offer Price over the VWAPs of the Shares for each of the 12-month, 6-month, 3-month and one-month periods prior to and including the Last Traded Day against the respective premia observed for the Selected Comparable Transactions; and*
- (iii) the Offer Price represents a premium over the NTL and revalued NTL per Share of the Group.*

In determining that the Offer is reasonable, we have considered the following pertinent factors;

- (i) the Group has been incurring losses for the Period Under Review. In addition, the Group's net assets and working capital has decreased over the Period Under Review and turned negative as at 31 December 2019;*
- (ii) The share price of the Company has been lower than the Offer Price for the entire period since 27 June 2019 and up to the Last Trading Day;*
- (iii) the Company has not paid dividends since 24 May 2017 in respect of the financial year ended 31 December 2016 and there is no assurance that dividends will be paid in the future;*
- (iv) the Group is in a net debt position as at 31 December 2019;*
- (v) the possible prolonged duration and extent of business disruptions due to COVID-19 as well as the on-going trade tension between United States and China may further impact the Group's financial performance and position negatively; and*
- (vi) there is no alternative take-over offer for the Shares as at the Latest Practicable Date*

Accordingly, we advise the Independent Directors to recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions."

- 14.4 Recommendation of the Independent Directors.** The Independent Directors, having considered carefully the terms of the Offer and the advice given by CEL Impetus Corporate Finance Pte. Ltd. in the IFA Letter, concur with the advice of the IFA in respect of the Offer as set out in Section 14.3 of this Circular and in the IFA Letter. Accordingly, the Independent Directors recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

LETTER TO SHAREHOLDERS

- 14.5 No regard to specific objectives.** Shareholders should note that the IFA's opinion and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer. In rendering the advice and the recommendations above, both the IFA and the Independent Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

SHAREHOLDERS ARE ADVISED TO READ THE FULL TEXT OF THE IFA LETTER WHICH IS SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in respectively Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received on behalf of the Offeror:

- (i) by CDP (in respect of the FAA); or
- (ii) by the Registrar (in respect of the FAT),

as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

16. CONSENTS

CEL Impetus Corporate Finance Pte. Ltd., named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter as set out in Appendix A to this Circular, and all references to the IFA's name, in the form and context in which they appear in this Circular.

Cushman & Wakefield Limited, named as the valuers in the Valuation Reports for the Appraised Assets (as defined in Paragraph 11 of Appendix B to this Circular), has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Reports as set out in Appendix G to this Circular, its recommendations and/or opinions, and all references to its name in the form and context in which they appear in this Circular.

Mazars LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the independent auditors' report in relation to the audited financial statements of the Group for FY2018, and all references to its name, in the form and context in which they appear in this Circular.

Lee & Lee, named as the legal counsel to the Company as to Singapore law in relation to the Offer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references to its name in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 18 Cross Street, #07-11, Cross Street Exchange², Singapore 048423 during normal business hours from the date of this Circular up to and including the Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018, which include the audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018;
- (c) the IFA Letter as set out in Appendix A to this Circular;
- (d) the FY2019 Results as set out in Appendix E to this Circular;
- (e) the Valuation Reports in respect of the Appraised Assets as set out in Appendix G to this Circular; and
- (f) the letters of consent referred to in Section 16 of this Circular.

18. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the IFA Letter (for which the IFA takes responsibility); (b) Valuation Reports (for which the Valuers take responsibility); (c) the information extracted from the Offer Announcement and the Offer Document; and (d) the information relating to the Offeror and its shareholders, the Directors (including those who may have delegated detailed supervision of this Circular) hereby jointly and severally accept full responsibility for the accuracy of information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

Where any information in this Circular (other than the IFA Letter for which the IFA takes responsibility and the Valuation Reports for which the Valuers take responsibility) has been extracted or reproduced from published or otherwise publicly available sources (including, but not limited to, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately extracted from such sources and/or reproduced in this Circular in its proper form and context.

19. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

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

Teoh Teik Kee
Lead Independent Director

² "Cross Street Exchange" is formerly known as "China Square Central". In the Offer Document, the registered office of the Company is set out as 18 Cross Street, #07-11, China Square Central, Singapore 048423.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

3 August 2020

The Independent Directors
Luzhou-Biochem Technology Limited
18 Cross Street
#07-11 Cross Street Exchange
Singapore 048423

Dear Sirs,

VOLUNTARY CONDITIONAL GENERAL OFFER (THE “OFFER”) BY STARNOVA PTE. LTD. (THE “OFFEROR”) FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED, INCLUDING THOSE SHARES OWNED, CONTROLLED, OR AGREED TO BE ACQUIRED BY PARTIES ACTING OR DEEMED TO BE ACTING IN CONCERT WITH THE OFFEROR

Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the circular dated 3 August 2020 (the “Circular”) issued to the Shareholders of the Company in relation to the Offer. Any discrepancies in this Letter (as defined below) between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as total in this Letter may not be arithmetic aggregation of the figures which precede them.

1. INTRODUCTION

On 30 June 2020 (the “Offer Announcement Date”), RHT Capital Pte. Ltd. announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional general offer (“Offer”) to acquire all the issued and paid-up ordinary shares (“Shares”) in the capital of Luzhou Bio-Chem Technology Limited (“Company” and together with its subsidiaries, “Group”) including those already owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it (“Offer Shares”).

A copy of the Offer Announcement dated 30 June 2020 is available on the website of the SGX-ST at www.sgx.com.

In connection with the above, CEL Impetus Corporate Finance Pte Ltd (“CICF”) was appointed by the Company as the independent financial adviser (“IFA”) to the directors of the Company who are considered independent for the purposes of making the recommendation to Shareholders in respect of the Offer as required under the Code (the “Independent Directors”).

This letter (“Letter”) sets out our evaluation and assessment of the financial terms of the Offer and our recommendations to the Independent Directors. This Letter will form part of the Circular to be issued by the Company providing details and the recommendation of the Independent Directors to Shareholders with regards to the Offer.

2. TERMS OF REFERENCE

CICF has been appointed by the Company to provide an opinion regarding the Offer to the Independent Directors in compliance with the provisions of the Code. We have confined our evaluation and assessment to the financial terms of the Offer.

CICF is not a party to the negotiations or discussions relating to the Offer. Our terms of reference do not require us to evaluate, comment, advise or form a view on the rationale, and/or merits of the Offer or the listing status of the Company or future prospects of the Group. We have not been instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares. Accordingly, we do not compare nor express any opinion on the relative merits of the Offer vis-à-vis any alternative transactions previously considered by the Company or that may otherwise be available to the Company in the future.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

In evaluating the financial terms of the Offer, we have held discussions with the Directors and management of the Company and have examined and relied on publicly available information collated by us as well as information provided and representations made, both written and verbal, by the Directors and the management of the Company. We have not independently verified such information or representations, whether written or verbal, and therefore cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. However, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and found no reason to doubt the accuracy or reliability of such information.

We have relied upon the assurances of the Directors and the management of the Company that after making all reasonable enquiries and to the best of their knowledge and belief, all material information or facts relating to the Offer and/or the Group has been disclosed to us, that such information constitutes true, complete and accurate disclosure of all material facts about the Offer and/or the Group and the Directors and the management of the Company are not aware of any material information or facts the omission of which would make any information disclosed to us or statement in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

In evaluating the financial terms of the Offer and in arriving at our opinion thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or Group. We are not required to express and we do not express any view on the growth prospects and earnings potential of the Company and/or the Group. Accordingly, we are not expressing any view herein as to the prices at which the Shares may trade in the absence of the Offer or if the Offer was not effected.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation to property, plant and equipment). However, in connection with the Offer, the Company has commissioned Independent Valuer, Cushman & Wakefield Limited (“**Cushman**”), to value the properties, plant and equipment (the “**Fixed Assets**”) of the Group. Cushman has issued two valuation reports dated 24 July 2020 (“**Valuation Reports**”), which are set out in Appendix G of the Circular, providing its evaluation and appraisal of the valuation of the Fixed Assets belonging to the Company’s wholly-owned subsidiaries, Luzhou Biotechnology (Henan) Co., Ltd, Luzhou Biotechnology (Liaoning) Co., Ltd, Luzhou Biotechnology (Shandong) Co., Ltd, Luzhou Biotechnology (Shaanxi) Co., Ltd and Luzhou Biotechnology (Sichuan) Co., Ltd as at 30 June 2020 (“**Valuation Date**”). In this regard, the management has confirmed to us that, save for the above entities, the remaining entities which are not included in the Valuation Reports are non-operational and/or insignificant to the Group and the value of the fixed assets will not be substantially different from their carrying values. The abovementioned valuation carried out covered all material assets and liabilities of the Group.

We are not experts in the evaluation or appraisal of the assets and liabilities of the Group and we have relied on the independent valuation by Cushman for such appraisal and have not made any independent verification of the contents of the Valuation Reports. Whilst care has been exercised in reviewing the Valuation Reports and we have made reasonable enquiries and exercised our judgement, we do not assume any responsibility, expressed or implied, for the contents of the Valuation Reports, including the bases and assumptions of the valuation as contained therein or if the contents thereof have been prepared and/or included in the Offeree Document in accordance with all applicable regulatory requirements.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Our opinion as set out herein is based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of 24 July 2020, being the latest practicable date prior to the printing of the Circular (the “**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment profiles and objectives, we recommend that any individual Shareholder who may require specific advice in relation to his/her investment portfolio or objectives should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

Our advice in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

3. TERMS AND CONDITIONS OF THE OFFER

Shareholders should have received a copy of the Offer Document, setting out, *inter alia*, the terms and conditions of the Offer. The terms and conditions of the Offer are set out in Section 2 of the Letter to Shareholders in the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

Based on the information set out in the Offer Document, the Offeror has made an Offer to acquire all the Shares, including those Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror, in accordance with Rule 15 of the Code and subject to the terms and conditions set out in the Offer Document, the FAA and the FAT. The principal terms of the Offer, as extracted from the Offer Document is set out below:

3.1 Offer Price

As stated in Section 2.3 of the Offer Document, the consideration for each Offer Share is as follows:

*“For each Offer Share: S\$0.03 in cash (“**Offer Price**”).*

The Offer Price is final and the Offeror does not intend to revise the Offer Price.”

3.2 Offer Shares

Section 2.2 of the Offer Document states the following:

*“The Offer is extended to all Shares, including those Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror (“**Offer Shares**”).”*

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

3.3 Rights and Encumbrances

Section 2.4 of the Offer Document states the following:

*“The Offer Shares are to be acquired (i) fully paid, (ii) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (“**Encumbrances**”), and (iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and hereafter attaching thereto, including but not limited to, the right to receive and retain all.”*

3.4 Adjustment for Distributions

Section 2.5 of the Offer Document states the following:

“Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be announced, declared, paid or made by the Company on or after the Announcement Date.

*Accordingly, in the event any Distribution is or has been announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer (“**Accepting Shareholder**”) shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such Accepting Shareholder falls, as follows:*

*2.5.1. if such settlement date falls **on or before** the books closure date for the determination of entitlements to the Distribution (“**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; and*

*2.5.2. if such settlement date falls **after** the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.”*

3.5 Minimum Acceptance Condition

Section 2.6 of the Offer Document states the following:

*“The Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances pursuant to the Offer (which have not been withdrawn) in respect of such number of Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding not less than 90.0% of the total number of Shares in issue as at the close of the Offer (“**Minimum Acceptance Condition**”).*

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding such number of Shares amounting to not less than 90.0% of the maximum potential issued share capital of the Company.

Save as provided in this Section 2.6, the Offer is unconditional in all other respects.”

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

3.6 Warranty

Section 3 of the Offer Document states the following:

“Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof: (i) fully paid; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and hereafter attaching thereto, including but not limited to, the right to receive and retain all Distributions announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date.”

3.7 Duration of the Offer

Section 1 of Appendix 1 of the Offer Document states the following:

*“The Offer is open for acceptance by Shareholders for at least 28 days from the Commencement Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 17 August 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**”*

3.8 Further details of the Offer

Information on the (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document and the accompanying FAA and FAT (as the case may be).

4. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

Information on the Offeror and its shareholders, as set out in Section 6 of the Offer Document, is reproduced italics below.

6.1 The Offeror. *The Offeror was incorporated in the Republic of Singapore on 6 December 2019 and is a private company limited by shares. Its principal activity is that of investment holding. The Offeror has not carried on any business since its incorporation, except for matters in connection with making the Offer.*

6.2 Share Capital and Shareholders. *As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$1.00 with one (1) ordinary share (“Offeror Shares”). NJX is the sole shareholder of the Offeror. NJX holds 7,820,700 Shares in the Company, representing approximately 1.32% of the issued Shares.*

6.3 Directors. *As at the Latest Practicable Date, NJX is the sole Director of the Company.”*

5. RATIONALE FOR THE OFFER

The rationale of the Offer, as set out in Section 9 of the Offer Document, is reproduced in italics below:

“9.1 Intention to delist and privatise the Company. *The Offeror intends to make the Offer with a view to delisting and privatising the Company.*

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- 9.2 Opportunity for Shareholders to realise their investment in the Shares at a premium.** The Offer Price represents a premium of approximately 87.5%, 130.8%, 150.0% and 150.0% over the VWAP per Share for the 1-month, 3-month, 6-month and 12-month periods respectively up to and including 26 June 2020, being the Last Trading Date. The Offer Price also represents a premium of 100.0% over the last transacted price per Share on the Last Trading Date.

The Offer Price under the Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

- 9.3 Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity.** The historical trading volume of the Shares has been low. The average daily trading volume of the Shares over the last 1-month, 3-month, 6-month and 12-month periods up to and including the Last Trading Date are set out in the table below:

Description	Average daily trading volume ⁽¹⁾	Average daily trading volume as a percentage of total number of issued Shares (%) ⁽²⁾
1-month period prior to and including the Last Trading Date	716,075	0.12
3-month period prior to and including the Last Trading Date	608,365	0.10
6-month period prior to and including the Last Trading Date	519,797	0.09
12-month period prior to and including the Last Trading Date	424,373	0.07

Notes:

- (1) The average daily trading volume is computed based on data extracted from Bloomberg L.P. using the total volume of Shares traded divided by the number of traded days with respect to the 1-month period, 3-month period, 6-month period and 12-month period prior to and including the Last Trading Date.
- (2) Calculated using the average daily trading volume divided by the total number of issued Shares (excluding treasury shares).

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in the Shares with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which would not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

- 9.4 Greater Management Flexibility.** The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in utilising and deploying the available resources of the Company and facilitating the implementation of any strategic initiatives and/or operational changes of the Company to achieve greater efficiency and competitiveness.
- 9.5 Compliance Costs relating to Listing Status.** If the Company is delisted, the Company will be able to dispense with compliance costs associated with maintenance of a listed status and other regulatory requirements and human resources that have to be committed for such compliance and channel such expenses towards its business operations. In addition, the Company has not carried out any exercise to raise cash funding on the SGX-ST since 2015.”

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

6. THE OFFEROR'S INTENTION IN RELATION TO THE COMPANY

The Offeror's intention in relation to the Company, as set out in Section 10 of the Offer Document, is reproduced in italics below:

10.1 *The Offeror's future plans for the Company*

"The Offeror's intention is to privatise and delist the Company if the Offer is unconditional as to acceptances.

The Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company and its subsidiaries which may present themselves and which it may regard to be in the interest of the Offeror.

Save as disclosed in this Offer Document, the Offeror intends for the Company to continue with its existing activities and has no intention to (i) introduce any major changes to the business of the Company, (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of any of the existing employees of the Company and its subsidiaries, other than in the ordinary course of business.

10.2 **Compulsory Acquisition**

*Pursuant to Section 215(1) of the Companies Act, in the event the Offeror receives valid acceptances pursuant to the Offer or acquires or agrees to acquire Shares during the Offer period other than through valid acceptances of the Offer in respect of not less than 90.0% of Shares (other than those Shares already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror would be entitled to exercise its right to compulsorily acquire all the remaining Shares from Shareholders who have not accepted the Offer ("**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90.0% or more of the total number of issued shares of the Company. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

10.3 **Listing Status and Trading Suspensions**

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90.0% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the total number of Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90.0% of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10.0%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Under the Listing Manual, “**public**” refers to persons other than:

- (i) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and
- (ii) associates of the persons referred to in **Section 10.3(i)** above.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares (excluding treasury Shares) held in public hands falls below 10.0%, the Company must, as soon as practicable announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares held in public hands to be raised to at least 10.0%, failing which the Company may be removed from the Official List of the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.”

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

- (a) the financial performance and position of the Group;
- (b) the market prices and trading activity of the Shares;
- (c) historical share price performance relative to the FTSE Straits Times Index (“**FSSTI**”)
- (d) NTA-based valuation of the Group
- (e) Comparison with financial valuation ratios of selected listed companies which principal business are broadly comparable to those of the Group;
- (f) Comparison of selected recent takeovers of other companies listed on the SGX-ST;
- (g) the dividend track record of the Company; and
- (h) Other relevant factors for consideration

7.1 Financial performance and position of the Group

We set out below a summary of the audited financial information of the Group for the last three financial years ended 31 December 2017 and 2018 (“**FY2017**” and “**FY2018**”, respectively) and the unaudited financial information of the Group for the financial year ended 31 December 2019 (collectively, the “**Period Under Review**”).

Summary of the Group’s Financial Performance

	Unaudited FY2019	Audited FY2018	Audited FY2017
(RMB million)			
Revenue	2,042.2	2,222.8	2,038.3
Gross Profit	181.3	216.0	209.1
Loss before taxation	95.3	85.5	32.8
Loss for the financial year	108.4	90.5	33.5

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

FY2019 vs FY2018

Revenue

Revenue in FY2019 decreased by RMB180.6 million or 8.1% mainly due to the decrease in the sales volume of corn sweeteners and by-products offset by an increase in the selling prices of corn sweeteners and by-products.

Loss for the financial year

Loss for FY2019 increased by 19.8% to RMB108.4 in FY2019 mainly due to additional impairment loss on property, plant and equipment amounting to RMB20 million that was recognised in other expenses and decrease in gross profit and other operating income which were partially offset by the decreases in operating expenses and finance costs.

FY2018 vs FY2017

Revenue

Revenue in FY2018 increased by RMB184.5 million or 9.1% mainly due to the increase in the selling price of the Group's corn refining segment resulting from the increase in corn price.

Loss for the financial year

Loss for FY2019 increased by 170.1% to RMB90.5 million mainly due to the decrease in other operating income which were partially offset by the increase in gross profit and the decreases in operating expenses and finance costs.

Summary of the Group's Financial Position

(RMB million)	Unaudited FY2019	Audited FY2018	Audited FY2017
Non-current assets	504.8	590.8	686.1
Current assets	531.4	626.7	602.3
Total assets	1,036.2	1,217.5	1,288.4
Non-current liabilities	433.7	610.5	625.0
Current liabilities	706.0	602.2	568.1
Total liabilities	1,139.7	1,212.7	1,193.1
Net assets / (liabilities)	(103.5)	4.8	95.3
Working Capital	(174.6)	24.5	34.2

Assets as at 31 December 2019 comprised mainly property, plant and equipment of RMB461.2 million (44.5%), trade and other receivable, deposits and prepayment of RMB222.5 million (21.5%), inventories of RMB196.8 million (19.0%), cash and cash equivalents of RMB112.2 (10.8%) million and land use rights of RMB41.5 million (4.0%)

Liabilities as at 31 December 2019 comprised interest bearing loans of RMB611.2 million (53.6%), trade and other payables of RMB346.4 million (30.4%), deferred income of RMB32.5 million (2.9%), amount owing to related parties of RMB144.3 million (12.7%) and income tax payable of RMB4.9 million (0.4%).

We noted that the working capital of the Group had been on a downward trend for the Period Under Review and the Group recorded a negative working capital of RMB174.6 million and a negative shareholders' equity of RMB103.5 million as at 31 December 2019.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Summary of Group's Cash Flows

(RMB million)	Unaudited FY2019	Audited FY2018	Audited FY2017
Net cash generated from operating activities	27.8	78.9	142.0
Net cash used in investing activities	(12.5)	(24.7)	(31.9)
Net cash used in financing activities	(66.8)	(59.9)	(172.3)
Cash and cash equivalents at end of year	35.8	87.3	93.0

FY2019 vs FY2018

Cash and cash equivalent decreased significantly by 59.0% to RMB35.8 million in FY2019. The net cash generated from operating activities of RMB27.8 million was mainly due to the decrease in trade and other payables which were partially offset by a decrease in inventory and an increase in amount owing to related parties. This was offset by the net cash used in investing activities of RMB12.5 million mainly resulting from the purchase of plant and equipment, partially offset by the proceeds from disposal of plant and machinery. This was further offset by the net cash used in financing activities mainly due to the net repayment of interest-bearing loans and borrowings.

FY2018 vs FY2017

Cash and cash equivalent decreased slightly by 6.1% to RMB87.3 million in FY2018. The net cash generated from operating activities of RMB78.9 million was mainly due to the increase in trade and other payables which were partially offset by an increase in inventory and an increase in trade and other receivables. This was offset by the net cash used in investing activities of RMB24.7 million mainly resulting from the purchase of plant and equipment, partially offset by the proceeds from disposal of plant and machinery. This was further offset by the net cash used in financing activities mainly due to the net repayment of interest-bearing loans and borrowings.

7.2 Market prices and trading activity of the Shares

We have compared the Offer Price against the historical market price of the Shares.

The historical price chart showing the closing prices and the trading volume of the Shares for the period commencing from 27 June 2019, being the 12-month period prior to the Last Traded Day (as defined below), and ending on the Latest Practicable Date is set out below:



APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

A summary of the salient announcements made by the Company during the 12-month period prior to the Last Traded Day (as defined below) and up to the Latest Practicable Date is set out below:

No	Date of Announcement	Event
1	23-Jul-19	The Company announced a profit guidance that the Company and the Group are expected to report a net loss for the second quarter ended 30 June 2019.
2	1-Aug-19	The Company announced its unaudited second quarter and first half results for the period ended 30 June 2019, reporting a 6.4% decrease in revenue to RMB999.6 million and a loss after income tax of RMB56.1 million as compared to a loss after income tax of RMB7.5 million in the previous corresponding half year period.
3	1-Aug-19	The Company announced its quarterly update pursuant to Rule 1313(2) of the Listing Manual.
4	13-Sep-19	The Company announced the change of address of its Share Registrar and the place where the Register of Members and Index is kept, to 30 Cecil Street #19-08 Prudential Tower Singapore 049712.
5	25-Oct-19	The Company announced a profit guidance that the Group is expected to report a net loss for the third quarter ended 30 September 2019.
6	13-Nov-19	The Company announced its unaudited third quarter and nine months results for the period ended 30 September 2019, reporting a 10.7% decrease in revenue to RM1,484.0 million and a loss after income tax of RMB68.6 million as compared to a loss after income tax of RMB20.1 million in the previous corresponding nine months period.
7	13-Nov-19	The Company announced its quarterly update pursuant to Rule 1313(2) of the Listing Manual.
8	3-Dec-19	The Company announced that its wholly-owned subsidiary, Luzhou Bio-chem Technology (Shaanxi) Co., Ltd., has renewed its lease agreement with Shaanxi Xingping Luzhou Sugar Products Co., Ltd..
9	11-Feb-20	The Company announced that the Group is expected to make a net loss for 4Q2019 as well as for the financial year ended 31 December 2019. As part of measures taken to curb the spread of the novel coronavirus (2019-nCoV), the Group has delayed the recommencement of operations of its manufacturing plants following the Chinese New Year holidays. These measures were taken in compliance with the advice of the local authorities in China to help in the containment of the coronavirus, with the health and safety of employees in mind. The Group is unable to ascertain when it may recommence production as the supply of corn raw materials has also been disrupted by measures taken by the Chinese government. The Company is currently assessing the financial impact of the coronavirus crisis on the Group's operations and will provide further details when available.

**APPENDIX A – LETTER FROM THE IFA TO
THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER**

No	Date of Announcement	Event
10	26-Feb-20	The Company announced its unaudited fourth quarter and full year results for the period ended 31 December 2019, reporting a 8.1% decrease in revenue to RM2,042.2 million and a loss after income tax of RMB88.4 million as compared to a loss after income tax of RMB90.5 million in the previous corresponding full year period.
11	26-Feb-20	The Company announced its quarterly update pursuant to Rule 1313(2) of the Listing Manual.
12	2-Mar-20	The Company announced that the Group has received approvals from the local authorities to resume operations and will be starting production across its manufacturing plants from 5 March 2020 (save for its Sichuan subsidiary which had stopped production completely due to poor local market conditions). In view of the uncertainty in the supply chain and labour situation, the Company expects that some time may be required before full operations are resumed, and that there may be updates to the situation as the COVID-19 situation develops.
13	10-Mar-20	The Company announced that based on the Company's submissions and representations to the SGX-ST, the SGX-ST has confirmed that it has no objection to the extension of time of 2 months till 29 June 2020 for the Company to comply with Rule 707(1) of the Listing Manual in respect of holding the Company's AGM for FY2019.
14	17-Apr-20	The Company announced that the Company shall cease the quarterly reporting of its financial statements with immediate effect following the recent amendments to Rule 705(2) of the Listing Manual
15	20-May-20	The Company announced that the Company has made an application to the SGX-ST for a further 60-day extension to 28 August 2020 to hold its AGM to approve the FY2019 financial statements.
16	27-May-20	The Company announced that based on the Company's submissions and representations to the SGX-ST, the SGX-ST has advised that it has no objection to the Company's application for an extension of time to 14 August 2020.
17	30-Jun-20	RHT Capital Pte. Ltd. announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional general offer to acquire all the issued and paid-up ordinary shares ("Shares") in the capital of the Company , other than those already owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with the Offeror at S\$0.03 per share.
16	30-Jun-20	The Company announced that the Offeror intends to make a voluntary conditional cash offer for all Offer Shares at the Offer Price of S\$0.03 per Share.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

No	Date of Announcement	Event
17	6-Jul-20	The Company announced that it has appointed CEL Impetus Corporate Finance Pte. Ltd. as the IFA.
18	17-Jul-20	The Company announced that there have been material adjustments made to the unaudited financial statements for financial year ended 31 December 2019.
19	20-Jul-20	RHT Capital Pte. Ltd. announced, for and on behalf of the Offeror, that the formal offer document, the Form of Acceptance and Authorisation for Offer Shares and the Form of Acceptance and Transfer of Offer Shares have been despatched to the shareholders of the Company.
20	22-Jul-20	The Company announced that it has recorded pre-tax losses for the three most recently completed consecutive financial years.

Based on the above, we note that over the last 12-month period prior and up to 26 June 2020, being the last traded day of the Shares before to the Offer Announcement Date (the “**Last Traded Day**”), the Offer Price is higher than the closing for the Shares for the entire period under review. Furthermore, we noted that the Offer Price is at a premium of approximately 42.86% to the highest closing price over the last one-year period prior to and up to the Last Traded Day of S\$0.021 on 10 July 2019.

We also noted that the Offer Price is at a premium of approximately 100.00% to the last transacted price of S\$0.015 (the “**Last Transacted Price**”) on the Last Traded Day. On 1 July 2020, (being the next market day after the Offer Announcement Date), the Shares closed at S\$0.029 and since then, the closing price of this Shares have traded narrowly between S\$0.029 and S\$0.030 up to the Latest Practicable Date.

We have also compared the volume weighted average price (“**VWAP**”) of Shares for selected reference periods between 12-month period prior to the Last Traded Day the Latest Practicable Date as set out in the table below:

	Lowest traded price	Highest traded Price	VWAP / Last Transacted Price	Premium / (discount) of Offer Price ⁽²⁾ over VWAP
	(S\$)	(S\$)	(S\$)	(%)
Periods prior to the Last Traded Day⁽³⁾				
Last 12 months	0.004	0.023	0.012	150.00
Last 6 months	0.004	0.020	0.012	150.00
Last 3 months	0.005	0.020	0.013	130.77
Last 1 month	0.007	0.020	0.016	87.50
Last Traded Day	0.015	0.015	0.015 ⁽⁴⁾	100.00
Periods after the Offer Announcement Date				
Market Day immediately after the Offer Announcement Date	0.028	0.030	0.029 ⁽⁴⁾	3.45
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	0.028	0.030	0.029	3.45
Latest Practicable Date	0.029	0.030	0.029 ⁽⁵⁾	3.45

Source: Bloomberg L.P.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Notes:

- (1) The VWAP is weighted based on the volume of Shares traded and transacted prices of the Shares for the Market Days in the respective periods.
- (2) Based on the Offer Price of \$0.03 per Offer Share.
- (3) Including the Last Traded Day.
- (4) The closing price on the Last Traded Day and the Market Day immediately after the Offer Announcement Date.
- (5) The closing price on the Latest Practicable Date.

The key observations in respect of the above analysis are highlighted below:

- (a) Over the 12-month period prior to the Last Traded Day, the Shares have closed between a low of S\$0.004 and a high of S\$0.023;
- (b) The Offer Price represents a premium of 150.00%, 150.00%, 130.77% and 87.50% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;
- (c) The Offer Price represents a premium of 100.00% to the Last Transacted Price;
- (d) The Offer Price represents a premium of 3.45% to the closing price on the Market Day immediately after the Offer Announcement Date;
- (e) The Offer Price represents a premium of 3.45% to the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date; and
- (f) The Offer Price represents a premium of 3.45% to the last transacted price as at the Latest Practicable Date.

For illustration purposes only, we set out in the table below the average daily trading volume (“ADTV”) of the Shares and the ADTV as a percentage of its Free Float (as defined in the footnote below) for selected reference periods between 12-month period prior to the Last Traded Day and the Latest Practicable Date:

	ADTV ⁽¹⁾ (Shares)	ADTV as a percentage of Free Float ⁽²⁾ (%)
Periods prior to the Last Traded Day⁽³⁾		
Last 12 months	129,669	0.06
Last 6 months	162,177	0.08
Last 3 months	304,182	0.15
Last 1 month	373,604	0.18
Last Traded Day	40,000	0.02
Periods after the Offer Announcement Date		
Market Day immediately after the Offer Announcement Date	11,691,500	5.66
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	2,639,676	1.28
Latest Practicable Date	88,000	0.04

Source: Bloomberg L.P.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Notes:

- (1) The ADTV is computed based on the total volume of Shares traded for all the Market Days for the relevant periods, divided by the total number of Market Days (including Market Days when no Shares were traded) during the respective periods.
- (2) Calculated based on a free float of approximately 206,474,205 Shares (“**Free Float**”), as extracted from Bloomberg L.P. as at the Latest Practicable Date.
- (3) Including the Last Traded Day.

The key observations in respect of the above analysis are highlighted below:

- (a) The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior and up to the Last Traded Day represents approximately 0.06%, 0.08%, 0.15% and 0.18% of the Free Float respectively;
- (b) The average daily traded volume of the Shares on the Last Traded Day represents 0.02% of the Free Float;
- (c) The average daily traded volume of the Shares on the Market Day immediately after the Offer Announcement Date represents 5.66% of the Free Float;
- (d) The average daily traded volume of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date represents 1.28% of the Free Float; and
- (e) The average daily traded volume of the Shares on the Latest Practicable Date represents 0.04% of the Free Float.

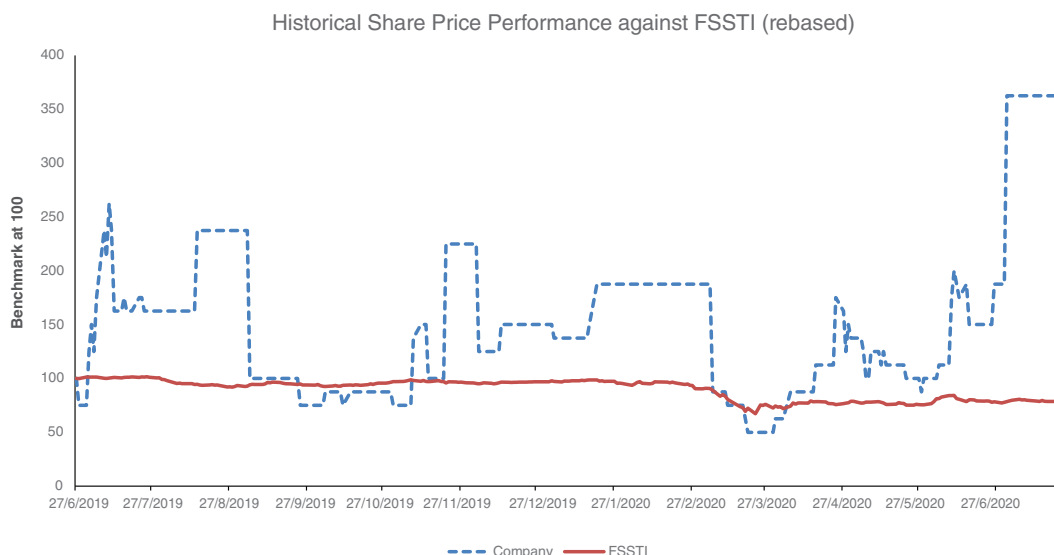
Based on the above observations, it would appear that the trading activity and market price of the Shares since the Offer Announcement Date up to the Latest Practicable Date may be supported by the Offer Price.

We wish to highlight that the above analysis of the trading performance of the Shares serves only as an illustrative guide and is not an indication of the future trading performance of the Shares.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

7.3 Historical share price performance relative to the FSSTI

To assess the market price performance of the Shares vis-à-vis the general price performance of the Singapore equity market, we have compared the market movement of the Shares price against the FSSTI for the period between 12-months prior to the Last Traded Day and the Latest Practicable Date, as illustrated below.



We note that during the period between 12-months prior to the Last Traded Day and the Latest Practicable Date, the Shares had generally overperformed the FSSTI on a normalised basis. The movements in the last transacted prices of the Shares and the FSSTI between the Last Traded Day and the Latest Practicable Date are as follows:

	Closing price on the Last Traded Day	Closing price as at the Latest Practicable Date	% change between the Offer Announcement Date and the Latest Practicable Date
Company	0.015	0.029	93.3
FSSTI	2,604.5	2,579.5	(1.0)

Source: Bloomberg L.P.

Between the Offer Announcement Date and the Latest Practicable Date, the market price of the Shares has increased by 93.3% while the FSSTI decreased by 1.0%.

Based on the above observations, it would appear that the market price of the Shares since the Offer Announcement Date up to the Latest Practicable Date may be supported by the Offer Price. Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication or a promise of the future trading performance of the Shares.

7.4 NTA-based valuation of the Group

The net tangible asset (“NTA”) based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time. NTA is computed by deducting the intangible assets from the Group’s net asset value.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

NTA shows the extent to which the value of the Group is backed by tangible assets. However, it does not take into account the value of any intangible assets such as goodwill, trademarks and land use rights. NTA based valuation is meaningful only in so far as to show the extent to which the value of each Share is backed by tangible assets.

7.4.1 NTL of the Group as at 31 December 2019

Based on the latest announced unaudited full year financial statements of the Group for the financial year ended 31 December 2019, the Group recorded a net tangible liabilities (“**NTL**”) position of approximately RMB150.24 million, equivalent to approximately RMB0.253 per Share or S\$0.05 per Share (based on the exchange rate of S\$1:RMB5.0648 as at the Latest Practicable Date).

The Offer Price of S\$0.03 represents a premium to the NTL per Share.

In our evaluation of the financial terms of the Offer, we have considered whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to have a material impact on the latest announced unaudited NTL of the Group as at 31 December 2019 as well as the Company’s announcement on 17 July 2020 on the material adjustments made to the unaudited financial statements for financial year ended 31 December 2019 following the audit of the same (“**Adjustment Announcement**”).

In this respect, save as disclosed in the unaudited financial statements of the Group as at 31 December 2019 and the Adjustment Announcement, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, there are no additional material contingent liabilities which are likely to have a material impact on the NTL of the Group.

We have also reviewed the latest announced unaudited statement of financial position of the Group as at 31 December 2019 to determine whether there are any assets that are of an intangible nature and as such, would not appear in a valuation based on NTA per Share as at 31 December 2019.

The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, there are no additional material intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group.

7.4.2 Revalued NTL of the Group as at 31 December 2019 against the Offer Price

In our evaluation of the financial terms of the Offer, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from that which is recorded in the unaudited statement of financial position of the Group as at 31 December 2019.

In connection with the Offer, the Company has commissioned the Independent Valuer, Cushman, to conduct an independent valuation of the Fixed Assets.

The valuations are prepared based on the “Market Value” of the Fixed Assets, where “Market Value” is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, where the parties had each acted knowledgeably, prudently and without compulsion.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Shareholders are advised to read this section in conjunction with the Valuation Reports, which are set out in Appendix G of the Circular.

We set out below a summary of the market values of the Fixed Assets:

Description	Location	Market Value (RMB million)	Revaluation Surplus ⁽¹⁾ (RMB million)
Land and building structures	Industry Cluster Zone, Zhongduan Road South, Yingbin Avenue, Xiping Country, Zhumadian City, Henan Province, PRC	48.7 ⁽²⁾	24.6 ⁽²⁾
Land and building structures	West of Aji Country Hada Village, Dongzhou District, Fushun, Liaoning Province, PRC	89.9 ⁽³⁾	16.0 ⁽³⁾
Land and building structures	Zhenxing Road, Economy Development Zone, Xishui Village, Linyi, Shandong Province, PRC	127.7 ⁽⁴⁾	30.5 ⁽⁴⁾
Land and building structures	54,Xingyu Road, Dongcheng District, Xingping, Shaanxi Province, PRC	24.9 ⁽⁵⁾	5.1 ⁽⁵⁾
Land and building structures	Middle section of Industrial Avenue, Pengshan Economic Development Zone, Qinglong Town, Pengshan District,Meishan, Sichuan Province, PRC	48.4 ⁽⁶⁾	17.0 ⁽⁶⁾
Plant and Machinery		332.0	79.6

Notes:

- (1) The revaluation surplus is calculated as the difference between the market values of the Fixed Assets in their existing state and their corresponding book values as at the Valuation Date.
- (2) Includes the market value and revaluation surplus of land use rights of RMB15.4 million and RMB15.1 million respectively
- (3) Includes the market value and revaluation surplus of land use rights of RMB26.5 million and RMB7.1 million respectively
- (4) Includes the market value and revaluation surplus of land use rights of RMB65.7 million and RMB50.8 million respectively
- (5) Includes the market value and revaluation surplus of land use rights of RMB6.7 million and RMB5.6 million respectively
- (6) Includes the market value and revaluation surplus of land use rights of RMB11.2 million and RMB5.9 million respectively

Shareholders should read the above in conjunction with the Valuation Reports, which are set out in Appendix G to the Circular. Save as disclosed above, the other assets of the Group have not been revalued for the purpose of determining the Revalued NTL (as defined below) of the Group.

The Directors have confirmed that, save as set out above, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the assets and their respective book values as at 31 December 2019 which would have a material impact on the Revalued NTL (as defined below) of the Group.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

The NTL of the Group as at 31 December 2019, adjusted for (i) movements in the book values of the Fixed Assets for the six months ended 30 June 2020 and (ii) change in valuation of the Fixed Assets (“**Revalued NTL**”), is approximately RMB179.39 million or S\$35.42 million.

	NTA (RMB million)	NTA (S\$ million) ⁽¹⁾
NTA/(NTL) of the Group as at 31 December 2019	(150.24)	(29.66)
Less: Adjustments for movements in book values of Fixed Assets from 1 January 2020 to 30 June 2020 ⁽²⁾	(21.39)	(4.23)
Less: Revaluation surplus, net of potential tax liabilities ⁽³⁾	(7.76)	(1.53)
Revalued NTL of the Group	(179.39)	(35.42)
Revalued NTL per Share	(0.30)	(0.06)

Notes:

- (1) Based on the exchange rate of S\$1: RMB5.0648 as at the Latest Practicable Date.
- (2) Based on information provided by the management of the Company.
- (3) Excludes the revaluation surplus and potential tax liabilities relating to land use rights.

We note that the Offer Price of S\$0.03 represents a premium to the Revalued NTL per Share of S\$0.06.

We wish to highlight that the Revalued NTL shown above include the revaluation surplus on the Fixed Assets. Shareholders should note that the Group has not fully earned or realized the surpluses on such Fixed Assets as at the Latest Practicable Date, and that there is no assurance that any revaluation surplus eventually recorded by the Group on the Fixed Assets will be the same as indicated above.

Shareholders should note that the above analysis assumes the hypothetical sale of the Fixed Assets of the Group as at the Latest Practicable Date. The Directors have confirmed to us that as at the Latest Practicable Date, the Group does not have any plans for an impending material disposal and/or conversion of the use of the Group's Fixed Assets and the Group has not received any offers for the Fixed Assets at the market values set out in the table above.

7.5 Comparison with financial valuation ratios of Selected Comparable Companies

We wish to highlight that the figures used in our financial assessment have been extracted where available and/or applicable, from Bloomberg L.P., the Circular and other publicly available sources. We make no representations or warranties, express or implied, as to the accuracy or completeness of such information.

For the purpose of assessing the Offer Price, references can be made to companies which are listed and traded on the regional stock exchanges, whose business activities and industries are comparable to the Company (“**Selected Comparable Companies**”) to give an indication of the current market expectations with regards to the valuation of these businesses, implied by their respective closing market prices as at the Latest Practicable Date

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

The Selected Comparable Companies have been identified through a search on subscribed financial database and other public sources. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. We have had discussions with the Directors and management of the Company about the suitability of the Selected Comparable Companies serving as a basis for comparison with the core businesses of the Group and have obtained confirmations from the Directors and management of the Company on the appropriateness of the Selected Comparable Companies.

We recognise, however, that our list of Selected Comparable Companies is not exhaustive and there may not be any companies listed on the SGX-ST or other stock exchanges that is directly comparable to the Company in terms of business activities, scale of operations, types of products and services, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Comparable Companies is therefore intended to serve as an illustrative guide only.

For the purpose of our evaluation and for illustration, we have made comparisons between the Offer Price and the valuation of the Selected Comparable Companies on a historical basis using the following:

Valuation Ratio	General Description
Price-to-Earnings (“P/E”) ratio	P/E ratio illustrates the ratio of the market price of a company’s shares relative to its consolidated after-tax earnings per share attributable to the owners of the respective companies as stated in its financial statements. The P/E ratio is affected by, inter alia, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the aggregate of the most recent announced four quarters earnings per share
Price-to-Net Asset Value (“P/NAV”) ratio	P/NAV ratio illustrates the ratio of the market price of a company’s share relative to its historical net asset value per share as recorded in its financial statements. “NAV” or “net asset value” is defined at the total assets less total liabilities and excludes where applicable non-controlling interest. The NAV figure provides an estimate of the value of a company assuming the sale of its assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distributions to its shareholders. Comparisons of companies using their NAVs are affected by differences in their respective accounting policies, in particular, their depreciation, amortisation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NAV per share
Price-to-Net Tangible Asset (“P/NTA”) ratio	P/NTA ratio illustrates the ratio of the market price of a company’s share relative to its historical net tangible asset per share as recorded in its financial statements. “NTA” or “net tangible asset” is defined as total tangible assets (excluding intangible assets) less total liabilities and excludes, where applicable, non-controlling interest. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation, amortisation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NTA per share.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Valuation Ratio	General Description
Enterprise Value-to-Earnings Before Interest and Tax (“ EV/EBIT ”)	“EV” or “Enterprise Value” is the sum of a company’s market capitalisation, preferred equity, independent interests, consolidated short and long-term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents. “EBIT” stands for historical consolidated earnings before interest and tax, inclusive of share of associates’ and joint ventures’ income. The EV/EBIT ratio illustrates the ratio of the enterprise value of a company’s business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure. In our analysis, we used the Enterprise Value based on the market capitalisation as of the Latest Practicable Date divided by the EBIT based on the latest available full year numbers.

The financial ratios for the Selected Comparable Companies are based on their closing prices as at the Latest Practicable Date and the publicly available financial results based on their respective financial periods or financial year ends.

Comparisons between the Company and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

In view of the above, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date

We set out in the table below the list of Selected Comparable Companies, together with a brief description of their principal activities which are considered to be broadly comparable to the Company

Selected Comparable Companies	Listing Location	Brief Business Description
Global Sweeteners Holdings Ltd (“ Global Sweetener ”)	Hong Kong	Global Sweetener produces corn sweeteners. Global Sweetener’s products include corn syrup, corn syrup solid, and sugar alcohol.
Global Bio-Chem Technology Group Company Limited (“ Global Bio-Chem ”)	Hong Kong	Global Bio-Chem manufactures corn refined and corn based biochemical products in China. Global Bio-Chem also researches and develops corn based biochemical products. The products mainly comprise cornstarch, corn gluten, corn oil, feed, modified starch, corn sweeteners, and amino acids.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Selected Comparable Companies	Listing Location	Brief Business Description
Baolingbao Biology Co Ltd ("Baolingbao")	PRC	Baolingbao produces starch-based health and food ingredients. Baolingbao's products include erythritol, isomaltitol L-glutamine, isomaltooligosaccharide-900/500, malto-oligosaccharide, xylo-oligosaccharide, fructo-oligosaccharide, indigestible dextrin, polydextrose, beta-cyclodextrin, high fructose corn syrup, dextrose monohydrate and liquid glucose.

We set out in the table below the financial ratios of the Company and the Selected Comparable Companies listed on other stock exchanges as at the Latest Practicable Date:

Company Name	Market Capitalisation ⁽¹⁾ (S\$ million)	P/E ⁽²⁾	P/NAV	P/NTA	EV/EBIT ⁽³⁾
Global Sweetener	22.1	n.m. ⁽⁴⁾	n.m. ⁽⁵⁾	n.m. ⁽⁶⁾	n.m. ⁽⁷⁾
Global Bio-Chem	192.6	n.m. ⁽⁸⁾	n.m. ⁽⁹⁾	n.m. ⁽¹⁰⁾	n.m. ⁽¹¹⁾
Baolingbao	1,111.6	205.8	3.6	3.9	84.0
High		205.8	3.6	3.9	84.0
Median		205.8	3.6	3.9	84.0
Mean		205.8	3.6	3.9	84.0
Low		205.8	3.6	3.9	84.0
Company (As implied by the Offer Price)	17.8	n.m. ⁽¹²⁾	n.m. ⁽¹³⁾	n.m. ⁽¹⁴⁾	n.m. ⁽¹⁵⁾

Source: Bloomberg L.P. and published financial statements and/or annual reports of the respective Selected Comparable Companies

Notes:

- (1) Based on the exchange rate of S\$1:RMB 5.0648 and S\$1:HKD5.5954 as at the Latest Practicable Date
- (2) P/E ratio is calculated based on the earnings as extracted from the latest available unaudited full year financial statements of the Selected Comparable Companies.
- (3) EV/EBIT ratio is calculated based on the latest available unaudited full year financial statements of the Selected Comparable Companies.
- (4) Global Sweetener recorded a loss after tax of approximately HKD162.6 million for FY2019. Hence the P/E ratio for Global Sweetener is not meaningful.
- (5) Global Sweetener has a net liability position of approximately HKD405.6 million as at 31 December 2019. Hence, the P/NAV ratio for Global Sweetener is not meaningful.
- (6) Global Sweetener has a NTL position of approximately HKD538.1 million as at 31 December 2019. Hence, the P/NTA ratio for Global Sweetener is not meaningful.
- (7) Global Sweetener recorded a loss before interest and tax of HKD106.4 million for FY2019. Hence the EV/EBIT ratio for Global Sweetener is not meaningful.
- (8) Global Bio-chem recorded a loss after tax of approximately RMB1,116.3 million for FY2019. Hence the P/E ratio for Global Bio-chem is not meaningful.
- (9) Global Bio-chem has a net liability position of approximately RMB4,197.9 million as at 31 December 2019. Hence, the P/NAV ratio for Global Bio-chem is not meaningful.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (10) Global Bio-chem has a NTL position of approximately RMB4,765.3 million as at 31 December 2019. Hence, the P/NTA ratio for Global Bio-chem is not meaningful.
- (11) Global Bio-chem recorded a loss before interest and tax of RMB638.7 million for FY2019. Hence the EV/EBIT ratio for Global Bio-chem is not meaningful.
- (12) The Group recorded a loss after tax of approximately RMB108.4 million for FY2019. Hence the P/E ratio for the Group is not meaningful.
- (13) The Group has a net liability position of approximately RMB103.5 million as at 31 December 2019. Hence, the P/NAV ratio for the Group is not meaningful.
- (14) The Group has a NTL position of approximately RMB150.2 million as at 31 December 2019. Hence, the P/NTA ratio for the Group is not meaningful.
- (15) The Group recorded a loss before interest and tax of RMB55.5 million for FY2019. Hence the EV/EBIT ratio for the Group is not meaningful.

Based on the above ratio analysis, we noted that:

- (a) The P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB108.4 million for FY2019. Meanwhile, the Comparable Companies were traded at P/E ratios of 205.8 times;
- (b) The P/NAV ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net liability value position of RM103.5 million as at 31 December 2019. Meanwhile the Selected Comparable Companies were traded at P/NAV ratio of 3.6 times;
- (c) The P/NTA ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net tangible liability position of RMB150.2 million as at 31 December 2019. Meanwhile, the Selected Comparable Companies were traded at P/NTA ratio of 3.9 times; and
- (d) The EV/EBIT ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a loss before interest and tax of RMB55.5 million for FY2019. Meanwhile, the Selected Comparable Companies were traded at EV/EBIT ratio of 84.0 times.

7.6 Comparison of selected recent takeovers of other companies listed on the SGX-ST

We note that it is the intention of the Offeror, and for the purpose of the Offer, not to maintain the listing status of the Company on the SGX-ST. In assessing the reasonableness of the Offer Price, we have compared the financial statistics implied by the Offer Price with those of selected recently completed take-over offers of companies listed on the SGX-ST which were announced in the 24-month period prior to the Offer Announcement Date, where it has indicated the offeror's intention not to preserve the listing status of the target companies (collectively, the **"Selected Comparable Transactions"**).

We wish to highlight that the list of target companies set out under the Selected Comparable Transactions are not directly comparable with the Company in terms of business activities, market capitalisation, scale of operations, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

We also wish to highlight that the list of Selected Comparable Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

The premium (if any) that an offeror would pay in respect of any particular takeover offer depends on various factors, *inter alia*, the offeror's intention with regard to the target company, the potential business synergy that the offeror can gain from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Comparable Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

Companies	Date of announcement	Premium / (Discount) of offer price (1) over				P/NTA / P/NAV
		Last transacted price prior to announcement	VWAP for the 1-month period prior to announcement ⁽²⁾	VWAP for the 3-month period prior to announcement ⁽²⁾	VWAP for the 6-month period prior to announcement ⁽²⁾	
		(%)	(%)	(%)	(%)	(times)
Tat Hong Holdings Ltd.	11 Jan 18	42.9	47.5	49.1	40.3	0.7 ⁽³⁾
Lee Metal Group Ltd	21 Feb 18	9.1	14.1	21.4	26.5	1.0 ⁽⁴⁾
Wheelock Properties Singapore Limited	19 Jul 18	22.7	29.0	22.7	17.8	0.8 ⁽⁴⁾
Keppel Telecommunications & Transportation Ltd	27 Sep 18	40.4	39.5	34.9	28.1	1.2 ⁽³⁾
M1 Limited	27 Sep 18	26.3	29.9	29.1	21.8	3.9 ⁽³⁾
Cityneon Holdings Limited	29 Oct 18	4.1	6.9	11.9	15.7	4.5 ⁽³⁾
PCI Limited	4 Jan 19	27.9	44.0	47.2	50.9	2.0 ⁽³⁾
Declout Limited	7 Jan 19	62.5	66.7	66.7	58.5	1.3 ⁽⁴⁾
Courts Asia Limited	18 Jan 19	34.9	35.8	34.0	23.5	0.6 ⁽³⁾
Kingboard Copper Foil Holdings Limited	4 Apr 19	9.1	21.8	28.1	27.4	0.9 ⁽⁴⁾
800 Super Holdings Limited	6 May 19	16.1	30.8	31.2	25.3	1.8 ⁽³⁾
Memtech International Ltd.	14 May 19	23.9	31.5	31.6	35.6	1.1 ⁽³⁾
Boardroom Limited	15 May 19	14.3	18.9	16.1	17.6	2.0 ⁽⁴⁾
DeLong Holdings Limited	29 Jul 19	16.5	18.6	19.0	20.5	0.6 ⁽³⁾
Star Pharmaceutical Limited	5 Aug 19	157.1	160.1	176.1	186.6	0.8 ⁽³⁾
PS Group Holdings Ltd.	20 Aug 19	195.0	266.7	267.5	267.5	0.6 ⁽⁴⁾
San Teh Ltd	5 Sep 19	81.8	90.5	83.0	84.2	0.4 ⁽⁴⁾
Raffles United Holdings Ltd.	25 Oct 19	(1.5)	0.0	10.0	15.9	0.3 ⁽³⁾
PACC Offshore Services Holding Ltd.	4 Nov 19	69.3	99.4	93.0	70.2	1.0 ⁽⁴⁾
Breadtalk Group Limited	24 Feb 20	19.4	30.1	24.0	25.0	2.9 ⁽³⁾

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Companies	Date of announcement	Premium / (Discount) of offer price (1) over				P/NTA / P/NAV
		Last transacted price prior to announcement	VWAP for the 1-month period prior to announcement ⁽²⁾	VWAP for the 3-month period prior to announcement ⁽²⁾	VWAP for the 6-month period prior to announcement ⁽²⁾	
		(%)	(%)	(%)	(%)	(times)
High		195.0	266.7	267.5	267.5	4.5
Median		25.1	31.2	31.4	27.0	1.0
Mean		43.6	54.1	54.8	52.9	1.4
Low		-1.5	0.0	10.0	15.7	0.3
Company (As implied by the Offer Price)		100.0	87.5	130.8	150.0	n.m.

Source: SGX-ST announcements and circulars to shareholders in relation to the respective takeover offers.

Notes:

- (1) Offer price is based on the final bid price per share.
- (2) The analysis is based upon the VWAP of shares traded during the specified market trading date range prior to the announcement dates of the respective take-over offers.
- (3) Based on the NAV or NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (4) Based on the revalued NAV or NTA per share (as the case may be), as published in the respective circulars of the target companies.

The key observations in respect of the above are highlighted below:

- (a) The premium of 100.0% as implied by the Offer Price over the Last Transacted Price is within the range and higher than the mean and median of the premia for the Selected Comparable Transactions;
- (b) The premium of 87.5% as implied by the Offer Price over the 1-month VWAP prior to the Offer Announcement Date is within the range and higher than the mean and median of premia for the Selected Comparable Transactions;
- (c) The premium of 130.8% as implied by the Offer Price over the 3-month VWAP prior to the Offer Announcement is within the range and higher than the mean and median of premia for the Selected Comparable Transactions;
- (d) The premium of 150.0% as implied by the Offer Price over the 6-month VWAP prior to the Offer Announcement is within the range and higher than the mean and median of premia for the Selected Comparable Transactions; and

7.7 Dividend Track Record of the Company

We noted that the Company had not declared and/or paid any dividend since 24 May 2017 in respect of the financial year ended 31 December 2016.

We wish to highlight that the above is not an indication of the Company's future dividend policy, and there is no assurance that the Company will or will not pay dividends in future and/or maintain the level of dividends paid in past periods.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

7.8 Other relevant factors for consideration

7.8.1 Company's commentary on market outlook

We note that in the Company's unaudited results announcement made on 26 February 2020 for the financial period ended 31 December 2019, the following commentary was made on the market outlook:

"China economy

China's economic growth is likely to continue to slow down due to the on-going trade war with the United States. The domestic consumption continues to be sluggish and the recent outbreak of the COVID-19 virus, which is expected to affect the livelihood of the Chinese people, will further dampen the market demand. The Group expects yet another tough year ahead for its business due to the uncertainty of the demand for its products. In addition, the government's enforcement of pollution controls will add to the operation costs of the Group. The management is expected to upgrade the Group's equipment in all its factories to meet the stringent regulations.

Looking forward, the Group expects its raw corn material prices to remain stable for the year unless there is a new trade war between China and United States that warrants changes in government's policy on the supply of corn in the market.

Update on the Impact of COVID-19

As of now, the Group's operations have been disrupted due to the imposition of stop work order by the local authorities. The management is unable to assess the extent of the financial impact and is concerned about the possible prolonged duration and the extent of the disruption due to the COVID-19."

7.8.2 Offeror's intention for the Company

The Offeror's intention is to privatise and delist the Company if the Offer is declared unconditional as to acceptances.

The Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company and its subsidiaries which may present themselves and which it may regard to be in the interest of the Offeror.

Save as disclosed in the Offer Document, the Offeror intends for the Company to continue with its existing activities and has no intention to (i) introduce any major changes to the business of the Company, (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of any of the existing employees of the Company and its subsidiaries, other than in the ordinary course of business.

7.8.3 Alternative offers from third parties

As at the Latest Practicable Date, there is no publicly available evidence of an alternative take-over offer for the Shares from any third party. The Directors have confirmed that, as at the Latest Practicable Date, save for the Offer made by the Offeror, no alternative offer from any third party has been received.

7.8.4 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, in the event the Offeror receives valid acceptances pursuant to the Offer or acquires or agrees to acquire Shares during the Offer period other than through valid acceptances of the Offer in respect of not less than 90.0% of Shares (other than those Shares already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror would be entitled to exercise its right to compulsorily acquire all the remaining Shares from Shareholders who have not accepted the Offer ("**Dissenting Shareholders**") on the same terms as those offered under the Offer.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90.0% or more of the total number of issued shares of the Company. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

7.8.5 Listing status and Trading Suspensions

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90.0% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the total number of Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90.0% of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10.0%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under the Listing Manual, “**public**” refers to persons other than:

- (i) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and
- (ii) associates of the persons referred to in Section 10.3(i) of the Offer Document.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares (excluding treasury Shares) held in public hands falls below 10.0%, the Company must, as soon as practicable announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares held in public hands to be raised to at least 10.0%, failing which the Company may be removed from the Official List of the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

7.8.6 Net debt position of the Group

As at 31 December 2019, the Group had unaudited cash and cash equivalents of approximately RMB112.2 million and total interest-bearing debts of approximately RMB611.2 million, translating into a net debt position of RMB499.0 million.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

8. RECOMMENDATION

In arriving at our recommendation in relation to the Offer, we have taken into account the factors which we consider to have a significant bearing on our assessment which includes our analyses as outlined under paragraph 7.1 to 7.8:

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

- (a) An assessment of the financial performance and position of the Group
 - (i) The Group incurred losses of RMB108.4 million, RMB90.5 million and RMB33.5 million for FY2019, FY2018 and FY2017 respectively;
 - (ii) The Group's net asset value decreased from RMB95.3 million as at 31 December 2017 to a net liability value of RMB103.5 million as at 31 December 2019;
 - (iii) The Group's working capital decreased from RMB34.2 million as at 31 December 2017 to a negative working capital of RMB174.6 million as at 31 December 2019; and
 - (iv) Net cash generated from operating activities decreased from RMB142.0 million in FY2017 to RMB27.8 million in FY2019.
- (b) An assessment of the historical market price and trading activities of the Shares
 - (i) The closing price of the Shares were lower than the Offer Price for the entire last 12-month period prior to the Last Traded Day;
 - (ii) The Offer Price represents a premium of 150.00%, 150.00%, 133.77% and 87.50% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;
 - (iii) The Offer Price represents a premium of 3.45% to the closing price on the Market Day immediately after the Offer Announcement Date;
 - (iv) The Offer Price is at a premium of 3.45% to the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date and a premium of 3.45% to the last transacted price as at the Latest Practicable Date respectively;
 - (v) The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior and up to the Last Traded Day represents approximately 0.06%, 0.08%, 0.15% and 0.18% of the Free Float respectively;
 - (vi) The average daily traded volume of the Shares on the Last Traded Day represents 0.02% of the Free Float;
 - (vii) The average daily traded volume of the Shares on the Market Day immediately after the Offer Announcement Date represents 5.66% of the Free Float;
 - (viii) The average daily traded volume of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date represents 1.28% of the Free Float; and
 - (ix) The average daily traded volume of the Shares on the Latest Practicable Date represents 0.04% of the Free Float.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (c) An assessment of the historical Share price performance relative to the FSSTI showed that (i) for the 12-month period prior to the Last Traded Day, the Shares had generally overperformed the the FSSTI on a normalised basis; and (ii) the closing price of the Shares had increased by approximately 93.3% while the FSSTI had decreased by 1.0% between the Offer Announcement Date and the Latest Practicable Date.
- (d) An assessment of the NTL and Revalued NTL of the Group as follow:
 - (i) The Offer Price represents a premium to the unaudited NTL per Share; and
 - (ii) The Offer Price is also at a premium to the unaudited Revalued NTL per Share.
- (e) A comparison with the valuation ratios of the Selected Comparable Companies as follows:
 - (i) The P/E ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group incurred a loss after tax of approximately RMB108.4 million for FY2019. We note that one of the Selected Comparable Companies were traded at P/E ratios of 205.8 times;
 - (ii) The P/NAV ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net liability value position of RM103.5 million as at 31 December 2019. We note that one of the Selected Comparable Companies were traded at P/NAV ratio of 3.6 times;
 - (iii) The P/NTA ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a NTL position of RMB150.2 million as at 31 December 2019. We note that one of the Selected Comparable Companies were traded at P/NTA ratio of 3.9 times; and
 - (iv) The EV/EBIT ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a loss before interest and tax of RMB55.5 million for FY2019. We note that one of the Selected Comparable Companies were traded at EV/EBIT ratio of 84.0 times.
- (f) A comparison with the Selected Comparable Transactions as follows:
 - (i) The premium of 100.0% as implied by the Offer Price over the Last Transacted Price is within the range and higher than the mean and median of the premia for the Selected Comparable Transactions;
 - (ii) The premium of 87.5% as implied by the Offer Price over the 1-month VWAP prior to the Offer Announcement Date is within the range and higher than the mean and median of premia for the Selected Comparable Transactions;
 - (iii) The premium of 130.8% as implied by the Offer Price over the 3-month VWAP prior to the Offer Announcement is within the range and higher than the mean and median of premia for the Selected Comparable Transactions; and
 - (iv) The premium of 150.0% as implied by the Offer Price over the 6-month VWAP prior to the Offer Announcement is within the range and higher than the mean and median of premia for the Selected Comparable Transactions.

Having considered the above and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that on balance, the financial terms of the Offer are **fair and reasonable**.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

In determining that the Offer is fair, we have considered the following pertinent factors:

- (i) the Offer Price represents a premium of between 87.5% and 150.0% over the VWAPs of the Shares for each of the 12-month, 6-month, 3-month and one-month periods prior to and including the Last Traded Day;
- (ii) the comparison of the premia of the Offer Price over the VWAPs of the Shares for each of the 12-month, 6-month, 3-month and one-month periods prior to and including the Last Traded Day against the respective premia observed for the Selected Comparable Transactions; and
- (iii) the Offer Price represents a premium over the NTL and revalued NTL per Share of the Group.

In determining that the Offer is reasonable, we have considered the following pertinent factors;

- (i) the Group has been incurring losses for the Period Under Review. In addition, the Group's net assets and working capital has decreased over the Period Under Review and turned negative as at 31 December 2019;
- (ii) The share price of the Company has been lower than the Offer Price for the entire period since 27 June 2019 and up to the Last Trading Day;
- (iii) the Company has not paid dividends since 24 May 2017 in respect of the financial year ended 31 December 2016 and there is no assurance that dividends will be paid in the future;
- (iv) the Group is in a net debt position as at 31 December 2019;
- (v) the possible prolonged duration and extent of business disruptions due to COVID-19 as well as the on-going trade tension between United States and China may further impact the Group's financial performance and position negatively; and
- (vi) there is no alternative take-over offer for the Shares as at the Latest Practicable Date

Accordingly, we advise the Independent Directors to recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

We would advise the Independent Directors to consider highlighting that there are no assurances that the market prices of the Shares after the close of the Offer may be maintained at current levels prevailing as at the Latest Practicable Date.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the financial terms of the Offer. The recommendations made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

**APPENDIX A – LETTER FROM THE IFA TO
THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER**

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose or in any manner without the prior written consent of CICF in each specific case, other than for the purpose of the Offer.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
CEL Impetus Corporate Finance Pte. Ltd.

Ng Boon Eng
Chief Executive Officer

Ashton Chang
Senior Manager, Corporate Finance

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Description
Mr. Niu Ji Xing	c/o 18 Cross Street, #07-11, Cross Street Exchange ⁽¹⁾ , Singapore 048423	Executive Chairman and Chief Executive Officer
Mr. Wang De You	c/o 18 Cross Street, #07-11, Cross Street Exchange ⁽¹⁾ , Singapore 048423	Executive Director
Mr. Gao Zhong Fa	c/o 18 Cross Street, #07-11, Cross Street Exchange ⁽¹⁾ , Singapore 048423	Executive Director
Mr. Teoh Teik Kee	c/o 18 Cross Street, #07-11, Cross Street Exchange ⁽¹⁾ , Singapore 048423	Lead Independent Director
Mr. Kong Xiang Chao	c/o 18 Cross Street, #07-11, Cross Street Exchange ⁽¹⁾ , Singapore 048423	Independent Director
Mr. Ong Wei Jin	c/o 18 Cross Street, #07-11, Cross Street Exchange ⁽¹⁾ , Singapore 048423	Independent Director

Notes:

(1) “Cross Street Exchange” is formerly known as “China Square Central”.

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 18 Cross Street, #07-11, Cross Street Exchange³, Singapore 048423.

3. PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is a public limited liability company incorporated in Singapore and is listed on the Mainboard of the SGX-ST. The principal activity of the Company is that of an investment holding company.

The Group is a leading corn refiner and one of the largest producers of maltose-related products and other corn sweeteners in the PRC. The Group is also principally engaged in the production and distribution of various sweeteners to its customers domestically and overseas. The Group's products can be categorised as follows: (i) sweeteners such as maltose, high fructose syrup, isomaltooligosaccharide and maltodextrin; (ii) corn starch, an intermediate product in the production of sweeteners; and (iii) by-products, comprising corn gluten meal, corn fibre, corn germ and steepwater.

Its primary customer base consists of domestic and overseas manufacturers from various industries that use its products as additives or ingredients to enhance and improve various aspects of their products.

³ “Cross Street Exchange” is formerly known as “China Square Central”. In the Offer Document, the registered office of the Company is set out as 18 Cross Street, #07-11, China Square Central, Singapore 048423

APPENDIX B – ADDITIONAL GENERAL INFORMATION

4. SHARE CAPITAL OF THE COMPANY

4.1 Number and class of Shares

The Company has only one class of Shares, being ordinary shares. The Shares are quoted and listed on the Official List of the Mainboard of the SGX-ST. Based on a search conducted at the ACRA, the total issued and paid-up share capital of the Company is approximately RMB308,723,000 comprising 594,000,000 Shares (excluding treasury shares). The Company does not hold any treasury shares.

4.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in Appendix F to this Circular. The Constitution is available for inspection at the registered address of the Company at 18 Cross Street, #07-11, Cross Street Exchange⁴, Singapore 048423. Capitalised terms and expressions not defined in the extract have the meanings ascribed to them in the Constitution and/or the Companies Act.

4.3 Number of Shares issued since the end of the last financial year

As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2019, being the end of the last financial year.

4.4 Convertible instruments

The Company has not issued any instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares that are outstanding as at the Latest Practicable Date.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of profit or loss and other comprehensive income of the Group for FY2017 and FY2018, and the unaudited financial information of the Group for FY2019 is set out below.

	Audited FY2017	Audited FY2018	Unaudited FY2019⁽¹⁾
	RMB'000	RMB'000	RMB'000
Turnover	2,038,317	2,222,810	2,042,154
Exceptional items	–	–	–
Net profit/ (loss) before tax	(32,823)	(85,469)	(75,285)
Net profit/ (loss) after tax	(33,517)	(90,514)	(88,352)
Profit/ (loss) attributable to the owners of the Company	(33,517)	(90,514)	(88,352)
Minority interests	–	–	–
Net earnings per share	(5.6)	(15.2)	(14.9)
Net dividends per share (RMB cents)	–	–	–

Notes:

- (1) The Company released an announcement on 17 July 2020 in respect of material adjustments made to the FY2019 Results. It was set out therein, *inter alia*, that (i) additional impairment loss on property, plant and equipment amounting to RMB 20,000,000 was recognised in other expenses; and (ii) as a result of the additional impairment loss, the carrying value of the Group's property, plant and equipment reduced by RMB 20,000,000 and the accumulated losses increased by RMB 20,000,000.

⁴ "Cross Street Exchange" is formerly known as "China Square Central". In the Offer Document, the registered office of the Company is set out as 18 Cross Street, #07-11, China Square Central, Singapore 048423

APPENDIX B – ADDITIONAL GENERAL INFORMATION

The financial information for FY2017 and FY2018 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2017 and FY2018, and the financial information for FY2019 should be read in conjunction with the FY2019 Results, the accompanying notes as set out therein and the Company's announcement released on 17 July 2020 in respect of material adjustments made to the FY2019 Results.

5.2 Statement of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 (being the date to which the Company's last published audited financial statements were made up) is set out below.

	As at 31 December 2018
	RMB'000
Non-current assets	590,846
Current assets	626,678
Total assets	1,217,524
Current Liabilities	602,193
Non-current liabilities	610,497
Total liabilities	1,212,690
Net assets	4,834
Equity attributable to owners of the Company	
Share capital	308,723
Treasury shares	0
Statutory reserves	91,380
Accumulated profits / (losses)	(395,269)
Total Equity	4,834

The above summary should be read together with the annual report for FY2018 and the audited consolidated statements of financial position of the Group for FY2018, which are set out in Appendix D to this Circular, and the related notes thereto.

5.3 Significant accounting policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2018 which are reproduced in Appendix D to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2018 and in the unaudited FY2019 Results), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

5.4 Changes in accounting policies

The Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2018 and there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results such as the FY2019 Results as announced on 26 February 2020 and set out in Appendix E to this Circular and the Company's announcement released on 17 July 2020 in respect of material adjustments made to the FY2019 Results), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2018, being the date to which the Company's last published audited financial statements were made up.

7. DISCLOSURE OF INTERESTS OF THE COMPANY AND THE DIRECTORS

7.1 Shareholdings and dealings

As at the Latest Practicable Date:

- (a) the Company does not have any direct or deemed interests in any Offeror Securities;
- (b) Save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Offeror Securities;

Name	Direct interest		Total interest		Total interest	
	No. of shares in the Offeror	% ⁽¹⁾	No. of shares in the Offeror	% ⁽¹⁾	No. of shares in the Offeror	% ⁽¹⁾
Mr. Niu Ji Xing	1	100	–	–	1	100

Notes:

- (1) Calculated based on a total of 1 issued share (excluding treasury shares) of the Offeror as at the Latest Practicable Date.

- (c) each of the Company and the Directors has not dealt for value in any Offeror Securities during the Reference Period;
- (d) save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Relevant Securities:

Name	No. of Shares					
	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Niu Ji Xing ⁽²⁾	7,820,700	1.32	236,925,000	39.89	244,745,700	41.21
Mr. Gao Zhong Fa	22,800,000	3.84	–	–	22,800,000	3.84
Mr. Wang De You	15,150,000	2.55	–	–	15,150,000	2.55
Mr. Teoh Teik Kee	187,500	0.03	–	–	187,500	0.03
Mr. Ong Wei Jin	125,000	0.02	–	–	125,000	0.02

Notes:

- (1) Calculated based on a total of 594,000,000 issued Shares (excluding treasury shares) as at the Latest Practicable Date and rounded to the nearest two decimal places.
- (2) Mr. Niu Ji Xing is deemed interested in the 236,925,000 Shares held by Faith Corporate International Limited under Section 4 of the SFA.

- (e) none of the Directors has dealt for value in any Relevant Securities during the Reference Period.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

7.2 Directors' intentions in relation to the Offer

The following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) As set out in the Offer Document, Mr. Niu Ji Xing has given an Irrevocable Undertaking to, *inter alia*, tender all of his Shares in acceptance of the Offer. Further details of this Irrevocable Undertaking are set out in Section 5 of this Circular. As of the Latest Practicable Date, Mr. Niu Ji Xing has yet to accept the Offer but will, in any case, accept the Offer prior to the Close of the Offer, in respect of all 7,820,700 Shares held by him, representing approximately 1.32% of the total issued Shares, as at the Latest Practicable Date.

In addition, Mr. Niu Ji Xing is deemed interested in the 236,925,000 Shares held by Faith Corporate International Limited under Section 4 of the SFA, representing approximately 39.89% of the total issued Shares as at the Latest Practicable Date. As set out in the Offer Document, Faith Corporate International Limited has provided an Irrevocable Undertaking to, *inter alia*, tender all of its Shares in acceptance of the Offer. Further details of this Irrevocable Undertaking are set out in Section 5 of this Circular. As of the Latest Practicable Date, it has yet to accept the Offer but will, in any case, accept the Offer prior to the Close of the Offer, in respect of all Shares held by it as at the Latest Practicable Date;

- (b) Mr. Wang De You has informed the Company that he intends to accept the Offer in respect of his own Shares;
- (c) Mr. Gao Zhong Fa has informed the Company that he intends to accept the Offer in respect of his own Shares;
- (d) Mr. Teoh Teik Kee has informed the Company that he intends to accept the Offer in respect of his own Shares; and
- (e) Mr. Ong Wei Jin has informed the Company that he intends to accept the Offer in respect of his own Shares.

7.3 Directors' service contracts

As at the Latest Practicable Date, (i) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (ii) there are no such service contracts entered into or amended between any of the Directors or proposed director with the Company or any of its subsidiaries during the period between the start of six (6) months preceding the Announcement Date and the Latest Practicable Date.

7.4 Arrangements affecting directors

As at the Latest Practicable Date:

- (a) there are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Irrevocable Undertakings as set out in Section 5 of this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- (c) save as disclosed in Paragraph 7 (Disclosure of Interests of the Company and the Directors) of this Appendix B, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

8. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

None of the IFA or any of the funds whose investments are managed by the IFA on a discretionary basis owns or controls any Relevant Securities as at the Latest Practicable Date, or has dealt with any Relevant Securities during the Reference Period.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in publicly available information on the Company (including but not limited to the annual reports of the Company, the FY2019 Results and other announcements released by the Company) relating to the letter of undertaking from Mr. Niu Ji Xing to provide continuing financial support to the Group, the grant of interest-free loans to the Group by Mr. Niu Ji Xing and his related company and rental expenses paid to Shaanxi Xingping Luzhou Sugar Products Co., Ltd. and Fushun Luzhou Amylum Sugar Products Co., Ltd., there have been no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons, during the three (3) years preceding the Announcement Date.

10. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and
- (b) the Directors are not aware of any litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

11. VALUATION REPORTS

The Company has commissioned Cushman & Wakefield Limited, independent valuers, to conduct independent valuations of the Group's significant properties, machineries and equipment (the "**Appraised Assets**"). The Valuation Reports from the Valuers are set out in Appendix G to this Circular.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. It is expected that the potential tax liabilities which the Group may incur would approximate RMB96.22 million, if the Appraised Assets were to be sold at the market values ascribed by Cushman & Wakefield Limited.

The aforesaid tax liability will not crystallise if the Group does not dispose of its interests in the Appraised Assets. As at the Latest Practicable Date, the Group does not have any plans for an impending material disposal and/or conversion of the use of the Appraised Assets and the Group has not received any offers for the Appraised Assets at the market values ascribed by Cushman & Wakefield Limited.

12. COSTS AND EXPENSES

All expenses and costs incurred by the Company in relation to the Offer shall be borne by the Company.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix 3 to the Offer Document:

“APPENDIX 3

ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTORS

The name, address and description of the Director as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr Niu Jixing	8 Burn Road, #07-09, Trivex, Singapore 369977	Director

2. PRINCIPAL ACTIVITY AND SHARE CAPITAL

The Offeror was incorporated in the Republic of Singapore on 6 December 2019 and is a private company limited by shares. Its principal activity is that of investment holding. The Offeror has not carried on any business since its incorporation, except for matters in connection with making the Offer. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$1.00 comprising 1 Offeror Share. NJX is the sole shareholder of the Offeror.

3. FINANCIAL SUMMARY

As the Offeror was incorporated on 6 December 2019, no audited financial statements of the Offeror have been prepared to date.

4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save for the Offeror making and financing the Offer, there have been no known material changes in the financial position of the Offeror since its incorporation.

5. REGISTERED OFFICE

The registered office of the Offeror is at 18 Cross Street, #07-11, China Square Central, Singapore 048423.”

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in the Notes to the audited consolidated financial statements of the Group for FY2018 set out below shall have the same meanings given to them in the annual report of the Company for FY2018.

A copy of the annual report of the Company for FY2018 is available for inspection at the registered address of the Company at 18 Cross Street, #07-11, Cross Street Exchange⁵, Singapore 048423 during normal business hours until the Closing Date.

⁵ "Cross Street Exchange" is formerly known as "China Square Central". In the Offer Document, the registered office of the Company is set out as 18 Cross Street, #07-11, China Square Central, Singapore 048423

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

42

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Key Audit Matters

43

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

44

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 <i>Financial Instruments</i> 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Key Audit Matters (Cont'd)

45

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 <i>Audit considerations in the current economic environment</i> 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

46 *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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

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.

47

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

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

48

	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
<i>Other item of income</i>			
Other operating income	5	27,754	102,788
<i>Other items of expenses</i>			
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)

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

49

	Note	Group		Company	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	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.

LUZHOU BIO-CHEM TECHNOLOGY LIMITED Annual Report 2018

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

50

	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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

51

	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
<i>Movements in working capital</i>			
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.

LUZHOU BIO-CHEM TECHNOLOGY LIMITED Annual Report 2018

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

52 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

53

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*.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

54 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: <i>Definition of Material</i>	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: <i>Definition of a Business</i>	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	1 January 2019
	- Amendments to SFRS(I) 3 <i>Business Combinations</i> : <i>Additional guidance for applying the acquisition method to particular types of business combinations</i>	
	- Amendments to SFRS(I) 1-12 Income taxes: <i>Measurement, Recognition of current and deferred tax and borrowing costs</i>	
	- Amendments to SFRS(I) 1-23 <i>Borrowing costs: Borrowing costs eligible for capitalisation</i>	

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

55

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

56 **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 acquiree 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

57

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

58 **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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

59

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

60 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

61

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

62 **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).

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

63

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

64 **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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

65

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

66 **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 a straight-line basis over the lease term.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

67

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

68

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).

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

69

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

70 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Finance expenses

71

	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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

72

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Income tax expense (Cont'd)

73

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

74 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 RMB'000	Machinery and tools RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Assets under construction RMB'000	Total 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 (i). Property, plant and equipment (Cont'd)

75

	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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

76 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 (ii). Land use rights

77

	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).

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

78 **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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Investments in subsidiaries (Cont'd)

79

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

80 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)

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Trade receivables (Cont'd)

81

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)	-	-

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

82 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Cash and cash equivalents (Cont'd)

83

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

84 21. Interest-bearing liabilities

	Group	
	2018 RMB'000	2017 RMB'000
Loans and borrowings		
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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. Deferred income

85

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

86 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Dividends

87

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	-

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

88 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Segment information

89

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

90 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Segment information (Cont'd)

91

	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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

92 **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	<u>(24,811)</u>	<u>(11,676)</u>

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)
	<u>(1,586)</u>	<u>4,394</u>

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	<u>(9,660)</u>	<u>(11,208)</u>

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	<u>589</u>	<u>589</u>

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Segment information (Cont'd)

93

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

94 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

95

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

96 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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

97

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
	<u>177,594</u>

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

98 **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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

99

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

100 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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

101

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

102 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
<i>Loans and receivables</i>			
Trade and other receivables	15,16	-	197,628
Cash and cash equivalents	17	-	190,258
		-	387,886
<i>Financial assets at fair value through profit or loss</i>			
Unquoted equity instrument	12	2,060	-
<i>Available-for-sale financial assets</i>			
Unquoted equity instrument	12	-	2,060
<i>Financial assets at amortised cost</i>			
Trade and other receivables	15,16	201,611	-
Cash and cash equivalents	17	163,722	-
		365,333	-
<i>Financial liabilities at amortised cost</i>			
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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Capital risk management (Cont'd)

103

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

104 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	<i>Financial instruments ("SFRS(I) 9")</i>
SFRS(I) 15	<i>Revenue from contracts with customers ("SFRS(I) 15")</i>

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").

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

105

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

			1 January 2018	
			Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
	Note	Original classification under FRS 39	New classification 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.



LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(Company Registration Number: 200412523N)

**Fourth Quarter and
Full Year Results
Announcement for the Period
Ended 31 December 2019**

APPENDIX E – FY2019 RESULTS

UNAUDITED FINANCIAL STATEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2019

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a) The comprehensive income statement for the group together with a comparative statement for the corresponding period of the immediately preceding year.

	4QFY19 RMB'000	4QFY18 RMB'000	Change %	FY19 RMB'000	FY18 RMB'000	Change %
Revenue	558,193	560,433	(0.4)	2,042,154	2,222,810	(8.1)
Cost of sales	(488,639)	(507,585)	(3.7)	(1,860,856)	(2,006,807)	(7.3)
Gross profit	69,554	52,848	31.6	181,298	216,003	(16.1)
Other operating income	5,329	6,656	(19.9)	21,468	27,754	(22.6)
Selling and distribution expenses	(25,386)	(29,232)	(13.2)	(108,492)	(124,247)	(12.7)
Administrative expenses	(25,278)	(45,212)	(44.1)	(96,605)	(113,632)	(15.0)
Other operating expenses	(29,776)	(42,982)	(30.7)	(31,833)	(47,325)	(32.7)
Finance expenses	(9,305)	(10,223)	(9.0)	(41,121)	(44,022)	(6.6)
(Loss) before taxation	(14,862)	(68,145)	(78.2)	(75,285)	(85,469)	(11.9)
Income tax expense	(4,879)	(2,285)	113.5	(13,067)	(5,045)	159.0
(Loss) for the period, representing total comprehensive (loss)	(19,741)	(70,430)	(72.0)	(88,352)	(90,514)	(2.4)
Total comprehensive (loss) attributable to:						
Owners of the Company	(19,741)	(70,430)	(72.0)	(88,352)	(90,514)	(2.4)
Gross profit margin	12.5%	9.4%	33.0	8.9%	9.7%	(8.2)
Net (loss) margin	(3.5%)	(12.6%)	(72.2)	(4.3%)	(4.1%)	4.9
(Loss) per share (RMB cents)						
- Basic	(3.3)	(11.9)	(72.3)	(14.9)	(15.2)	(2.0)
- Diluted	(3.3)	(11.9)	(72.3)	(14.9)	(15.2)	(2.0)

APPENDIX E – FY2019 RESULTS

Notes to the Comprehensive Income Statement

	4QFY19	4QFY18	Change	FY19	FY18	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Loss) before tax is arrived at after charging/ (crediting)						
Interest income	(98)	(42)	133.3	(1,331)	(1,753)	(24.1)
Interest expense on borrowings	9,305	10,223	(9.0)	41,121	44,022	(6.6)
Depreciation of plant and equipment	12,780	19,746	(35.3)	58,857	79,784	(26.2)
Amortisation of land use rights	268	267	0.4	1,070	1,069	0.1
Amortisation of government grants	(1,261)	(1,349)	(6.5)	(5,046)	(5,384)	(6.3)
Foreign exchange loss/(gain) (net)	749	(170)	540.6	950	(288)	429.9
Loss/(gain) on disposal of plant and equipment	1,058	312	239.1	960	(67)	(1,532.8)
Impairment of property, plant and equipment [#]	24,183	41,134	(41.2)	24,183	41,134	(41.2)
Allowance for doubtful trade and other receivables	6,961	5,940	17.2	5,039	5,940	(15.2)
Allowance for slow-moving inventory	2,595	1,220	112.7	805	1,030	(21.8)

[#] The impairment charges comprise of approximately RMB10M for Sichuan subsidiary and approximately RMB14M for Liaoning subsidiary. In past financial years, the management would seek to discuss with the statutory auditors prior to any decision on the amount of impairment. Due to the Covid-19 situation in China, the work of the auditors has been disrupted and as such, the current impairment charge of approximately RMB24M is based on management's best estimate of the operating prospects of the subsidiaries.

APPENDIX E – FY2019 RESULTS

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Inventories	196,766	234,981	-	-
Trade receivables	187,298	180,132	-	-
Other receivables, deposits and prepayments	35,202	47,843	19,035	48
Cash and cash equivalents ⁽¹⁾	112,172	163,722	166	1,152
	<u>531,438</u>	<u>626,678</u>	<u>19,201</u>	<u>1,200</u>
Non-current assets				
Investment in subsidiaries	-	-	321,044	321,044
Financial asset at FVTPL	2,060	2,060	-	-
Property, plant and equipment	476,060	546,180	7	9
Land use rights	41,536	42,606	-	-
Asset from right of use	5,181	-	-	-
	<u>524,837</u>	<u>590,846</u>	<u>321,051</u>	<u>321,053</u>
Total assets	<u>1,056,275</u>	<u>1,217,524</u>	<u>340,252</u>	<u>322,253</u>
LIABILITIES				
Current liabilities				
Trade payables	266,829	304,811	-	-
Other payables and accruals	79,535	95,905	911	1,047
Amount owing to related parties	6,773	2,875	-	-
Amount owing to subsidiaries	-	-	6,346	4,120
Interest payable to a Director	380	303	380	303
Amount owing to a Director	13,461	12,712	13,461	12,712
Interest-free borrowing from a related party	139,180	-	-	-
Interest-bearing loans and borrowings	190,000	180,000	-	-
Deferred income	5,004	5,046	-	-
Income tax payable	4,868	541	-	-
	<u>706,030</u>	<u>602,193</u>	<u>21,098</u>	<u>18,182</u>
Non-current liabilities				
Interest-bearing loans and borrowings	402,000	539,390	-	-
Interest-free borrowing from a related party	-	38,000	-	-
Amount owing to a related party	3,660	-	-	-
Deferred income	27,514	32,518	-	-
Deferred taxation	589	589	-	-
	<u>433,763</u>	<u>610,497</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,139,793</u>	<u>1,212,690</u>	<u>21,098</u>	<u>18,182</u>

APPENDIX E – FY2019 RESULTS

NET ASSETS	(83,518)	4,834	319,154	304,071
EQUITY				
Share capital	308,723	308,723	308,723	308,723
Statutory reserves	91,380	91,380	-	-
Accumulated (loss)/profits	(483,621)	(395,269)	10,431	(4,652)
TOTAL EQUITY	(83,518)	4,834	319,154	304,071

(1) The Group's cash and cash equivalents comprised cash and bank balances and pledged cash deposits as follow:

	31-Dec-2019	31-Dec-2018
	RMB'000	RMB'000
Cash and bank balances	35,772	87,322
Pledged cash deposits	76,400	76,400
	112,172	163,722

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31-Dec-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
160,000	182,641	160,000	32,712

Amount repayable after one year

As at 31-Dec-2019		As at 31-Dec-2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
252,000	150,000	379,390	198,000

Details of any collateral

As at 31 December 2019, the interest-bearing loans and borrowings of the Group were secured or guaranteed by the following:

- (i) pledge of certain property, plant and equipment of the Group;
- (ii) pledge of certain land use rights of the Group;
- (iii) pledge of properties owned by related parties;
- (iv) corporate and personal guarantees given by related parties;
- (v) corporate guarantee given by third parties;
- (vi) pledge of inventories of the Group; and
- (vii) pledge of cash deposit of the Group.

In connection with the corporate guarantees given by third parties totaling RMB140 million, our Group has given reciprocal corporate guarantees of an aggregate amount of RMB100.0 million for the benefit of those third parties, being three companies.

APPENDIX E – FY2019 RESULTS

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	4QFY19 RMB'000	4QFY18 RMB'000	FY19 RMB'000	FY18 RMB'000
Cash flows from operating activities				
(Loss) before taxation	(14,862)	(68,145)	(75,285)	(85,469)
Adjustments for: -				
Depreciation of property plant and equipment	12,780	19,746	58,857	79,784
Amortisation of land use rights	268	267	1,070	1,069
Amortisation of government grants	(1,261)	(1,349)	(5,046)	(5,384)
Loss/(Gain) on disposal of plant and equipment	1,058	312	960	(67)
Interest expense	9,305	10,223	41,121	44,022
Interest income	(98)	(42)	(1,331)	(1,753)
Foreign currency exchange loss on borrowings from a Director	749	-	749	-
Impairment of plant and equipment	24,183	41,134	24,183	41,134
Allowance for slow-moving inventory (net)	2,595	1,220	805	1,030
Allowance for doubtful trade and other receivables (net)	6,961	5,940	5,039	5,940
Operating profit before working capital changes	41,678	9,306	51,122	80,306
Changes in working capital:				
Inventories	(71,154)	(65,731)	37,410	(47,574)
Trade receivables	(34,147)	13,294	(5,829)	(7,022)
Other receivables, deposits and prepayments	3,599	6,542	1,084	(3,940)
Trade payables	40,468	22,368	(37,982)	57,626
Other payables and accruals	(794)	7,894	(16,370)	2,110
Amount owing to related parties	5,229	350	7,134	1,225
Cash (used in)/generated from operations	(15,121)	(5,977)	36,569	82,731
Income taxes paid	(696)	(1,622)	(8,740)	(3,820)
Net cash (used in)/generated from operating activities	(15,817)	(7,599)	27,829	78,911
Cash flows from investing activities				
Purchase of plant and equipment	(8,487)	(14,333)	(23,711)	(37,429)
Proceeds from disposal of plant and equipment	2,548	3,141	9,831	10,787
Proceeds from government grants	-	-	-	192
Interest income received	98	42	1,331	1,753
Net cash (used in) investing activities	(5,841)	(11,150)	(12,549)	(24,697)

APPENDIX E – FY2019 RESULTS

Cash flows from financing activities

Interest expense paid	(8,881)	(10,175)	(40,620)	(43,838)
Cash deposits pledged	(1,000)	(10,000)	(76,000)	(76,000)
Pledged cash deposit being released	1,000	-	76,000	96,880
Proceeds from interest-free borrowing from a related party	87,000	(180)	101,180	38,000
Proceeds from amount owing to a Director	-	-	-	2,848
Repayment of interest - bearing loans and borrowings	(293,340)	(190,475)	(885,390)	(862,975)
Proceeds from interest - bearing loans and borrowings	220,000	248,165	758,000	785,215
Net cash generated from/(used in) financing activities	4,779	37,335	(66,830)	(59,870)
Net (decrease)/increase in cash and bank balances	(16,879)	18,586	(51,550)	(5,656)
Cash and bank balances at beginning of period/year	52,651	68,736	87,322	92,978
Cash and bank balances at end of period/year	35,772	87,322	35,772	87,322

APPENDIX E – FY2019 RESULTS

- 1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders', together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED STATEMENT OF CHANGES IN EQUITY GROUP

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	Accumulated Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2019	308,723	91,380	(395,269)	4,834
Total comprehensive loss for the period	-	-	(19,899)	(19,899)
Balance as at 31 March 2019	308,723	91,380	(415,168)	(15,065)
Total comprehensive loss for the period	-	-	(36,235)	(36,235)
Balance as at 30 June 2019	308,723	91,380	(451,403)	(51,300)
Total comprehensive loss for the period	-	-	(12,477)	(12,477)
Balance as at 30 September 2019	308,723	91,380	(463,880)	(63,777)
Total comprehensive loss for the period	-	-	(19,741)	(19,741)
Balance as at 31 December 2019	308,723	91,380	(483,621)	(83,518)

	← Attributable to owners of the company →			
	Share Capital	Statutory Reserves [#]	Accumulated Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	308,723	91,380	(304,755)	95,348
Total comprehensive income for the period	-	-	3,012	3,012
Balance as at 31 March 2018	308,723	91,380	(301,743)	98,360
Total comprehensive loss for the period	-	-	(10,520)	(10,520)
Balance as at 30 June 2018	308,723	91,380	(312,263)	87,840
Total comprehensive loss for the period	-	-	(12,576)	(12,576)
Balance as at 30 September 2018	308,723	91,380	(324,839)	75,264
Total comprehensive loss for the period	-	-	(70,430)	(70,430)
Balance as at 31 December 2018	308,723	91,380	(395,269)	4,834

APPENDIX E – FY2019 RESULTS

COMPANY

	Share Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2019	308,723	(4,652)	304,071
Total comprehensive income for the period	-	915	915
Balance as at 31 March 2019	308,723	(3,737)	304,986
Total comprehensive income for the period	-	17,617	17,617
Balance as at 30 June 2019	308,723	13,880	322,603
Total comprehensive loss for the period	-	(1,481)	(1,481)
Balance as at 30 September 2019	308,723	12,399	321,122
Total comprehensive loss for the period	-	(1,968)	(1,968)
Balance as at 31 December 2019	308,723	10,431	319,154

	Share Capital	Accumulated Profits/(Loss)	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	308,723	19,718	328,441
Total comprehensive loss for the period	-	(2,088)	(2,088)
Balance as at 31 March 2018	308,723	17,630	326,353
Total comprehensive loss for the period	-	(2,163)	(2,163)
Balance as at 30 June 2018	308,723	15,467	324,190
Total comprehensive loss for the period	-	(1,933)	(1,933)
Balance as at 30 September 2018	308,723	13,534	322,257
Total comprehensive loss for the period	-	(18,186)	(18,186)
Balance as at 31 December 2018	308,723	(4,652)	304,071

In accordance with relevant PRC regulations, a wholly foreign owned enterprise in PRC is required to appropriate not less than 10% of its profit after tax to the statutory reserve, until the balance of the fund reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserves of the enterprise may be used to offset against its accumulated losses.

APPENDIX E – FY2019 RESULTS

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since 30 September 2019. In addition, there were no outstanding convertibles, treasury shares or subsidiary holdings as at 31 December 2019 and 31 December 2018.

- 1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	Company	
	31- Dec-2019	31-Dec-2018
Ordinary shares	594,000,000	594,000,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

None

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

None

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

APPENDIX E – FY2019 RESULTS

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group consistently applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2018, except for the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which is effective from annual period beginning on 1 January 2019.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") for annual periods beginning on or after 1 January 2018.

The Group adopted SFRS(I) 16 Leases on 1 January 2019, using the modified retrospective approach where the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. There is no restatement of comparative information which was prepared in accordance with the requirement of SFRS(I) 1-17. The Group elected the following practical expedients:

- (i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- (ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to lease for which the lease term ends within 12 months as of 1 January 2019; and
- (iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	4QFY19	4QFY18	FY19	FY18
(Loss) per share	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
(a) Based on weighted average number of ordinary shares in issue	(3.3)	(11.9)	(14.9)	(15.2)
Weighted average number of shares in issue	594,000,000	594,000,000	594,000,000	594,000,000
(b) On a fully diluted basis	(3.3)	(11.9)	(14.9)	(15.2)

APPENDIX E – FY2019 RESULTS

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
Net asset value per ordinary share	RMB (14.1) cents	RMB 0.8 cents	RMB 53.7 cents	RMB 51.2 cents

31-Dec-2019

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the period of negative RMB 83,518,000 and the Company's net asset value as at the end of the period of RMB 319,154,000 divided by the share capital of 594,000,000 ordinary shares.

31-Dec-2018

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the year of RMB 4,834,000 and the Company's net asset value as at the end of the year of RMB 304,071,000 divided by the share capital of 594,000,000 ordinary shares.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

a) Comprehensive Income Statement

4QFY19 versus 4QFY18

Revenue	4QFY19		4QFY18		Change
	RMB'000	%	RMB'000	%	%
Corn refining	557,656	99.9	560,306	100.0	(0.5)
Others	537	0.1	127	-	322.8
Total	558,193	100.0	560,433	100.0	(0.4)

FY19 versus FY18

Revenue	FY19		FY18		Change
	RMB'000	%	RMB'000	%	%
Corn refining	2,039,358	99.9	2,220,524	99.9	(8.2)
Others	2,796	0.1	2,286	0.1	22.3
Total	2,042,154	100.0	2,222,810	100.0	(8.1)

APPENDIX E – FY2019 RESULTS

The Group's revenue for 4QFY19 decreased slightly by 0.4% from RMB 560.4 million in 4QFY18 to RMB 558.2 million in 4QFY19, while the revenue for FY19 decreased by 8.1 % year-on-year ("y-o-y") from RMB 2.2 billion to RMB 2.0 billion. This was mainly due to the decrease in sales volume of our corn refining segment.

For 4QFY19, sales volume for our corn refining segment decreased by 3.9% from 272K ("K"=1,000) tonnes to 262K tonnes period-on-period ("p-o-p"). This p-o-p decrease was mainly attributable to the decreases in the sales volumes of corn sweeteners and by-products of about 3.5% and 4.8% respectively. For FY19, sales volume for our corn refining segment decreased from 1,073K tonnes to 971K tonnes or by about 9.5% y-o-y. This y-o-y decrease was mainly attributable to the decreases in the sales volumes of corn sweeteners and by-products of about 9.8% and 8.8% respectively.

For 4QFY19, the weighted average selling price of the Group's corn refining products increased by 3.2% p-o-p. This increase was attributable to the increases in prices of corn sweeteners and by-products by about 0.3% and 15.7% respectively. For FY19, the weighted average selling price of the Group's corn refining products increased by 1.4% y-o-y. This increase was attributable to the increases in prices of corn sweeteners and by-products by about 0.5% and 7.2% respectively.

The Group's export revenue in FY19 increased by 21.1% as compared to FY18. The export revenue as a percentage of total revenue in FY19 increased to 4.5% from 3.4% in FY18. The sales to the export market remained insignificant because of our uncompetitive pricing due to our higher production cost.

Gross profit and gross profit margin

4QFY19 versus 4QFY18

	4QFY19		4QFY18	
	RMB'000	%	RMB'000	%
Corn refining	69,052	12.4	52,199	9.3
Others	502	93.3	649	510.2
Total	<u>69,554</u>	12.5	<u>52,848</u>	9.4

FY19 versus FY18

	FY19		FY18	
	RMB'000	%	RMB'000	%
Corn refining	179,276	8.8	213,924	9.6
Others	2,022	72.3	2,079	90.9
Total	<u>181,298</u>	8.9	<u>216,003</u>	9.7

For 4QFY19, gross profit increased by 31.6% p-o-p to RMB 69.6 million, and the gross profit margin increased from 9.4% in 4QFY18 to 12.5%. Group revenue decreased by 0.4%, while the cost of sales for the corresponding period decreased by 3.7%. These were due mainly to the decrease in corn price of about 1.4% p-o-p and the higher average capacity utilization rate (excluding Sichuan subsidiary).

APPENDIX E – FY2019 RESULTS

Gross profit for FY19 decreased by 16.1% y-o-y to RMB 181.3 million, while the gross profit margin for FY19 decreased from 9.7% in FY18 to 8.9% in FY19. Group revenue decreased by 8.1% y-o-y, while the cost of sales decreased by 7.3%. These were mainly due to the increase in corn price of about 3.1%, partially offset by the increase in selling price of our corn refining segment y-o-y.

The Group's others segment including our Hongzhou subsidiary made a gross profit of RMB 2.0 million in FY19 compared with RMB 2.1 million in FY18.

Other operating income

Other operating income decreased by RMB 6.3 million from RMB 27.8 million in FY18 to RMB 21.5 million in FY19, due mainly to the decrease in gain on sale of consumables and waste materials by RMB 4.6 million and the decrease in government grants and subsidies.

Operating expenses

- Selling and distribution expenses

Selling and distribution expenses decreased by 12.7% or RMB 15.8 million from RMB 124.2 million in FY18 to RMB 108.5 million in FY19. This was mainly attributable to the decreases in transportation costs, staff costs, and product packing charge.

- Administrative expenses

The Group's administrative expenses decreased by 15.0% from RMB 113.6 million in FY18 to RMB 96.6 million in FY19. This was mainly due to the decrease in staff costs (including salary, social insurance payment and other welfare), the decrease in depreciation charge (mainly attributable to the reclassification of certain depreciation charge to operating expenses as a result of production halts of certain products), and the decrease in allowance for doubtful trade receivables.

- Other operating expenses

Other operating expenses decreased by RMB 15.5 million from RMB 47.3 million in FY18 to RMB 31.8 million in FY19. This was due mainly to the decrease in impairment loss of property, plant and equipment of about RMB 17.0 million and the decrease in employee compensation for work-related injury, which were partially offset by the increases in the loss on disposal of plant and equipment and the allowance for slow-moving inventory.

Finance costs

The Group's finance costs decreased by 6.6% from RMB 44.0 million in FY18 to RMB 41.1 million in FY19 mainly attributable to the decrease in interest costs arising from decrease in bank loans.

APPENDIX E – FY2019 RESULTS

Income tax expense

The increase in income tax expense was due to withholding and payment of last year's income tax incurred by the Shandong subsidiary and Henan subsidiary, and the increase in net profit generated from our Shaanxi subsidiary. In addition, certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of their future taxable profits. Therefore, there is a difference between the effective tax rate in FY19 and the statutory tax rate.

Total comprehensive loss

The Group's total comprehensive loss decreased by 2.4% from RMB 90.5 million in FY18 to RMB 88.4 million in FY19. This was mainly due to the decreases in operating expenses and finance costs, which were partially offset by the decrease in gross profit, the decrease in other operating income and the increase in income tax expenses.

b) Statement of Financial Position

GROUP	<u>FY19</u>	<u>FY18</u>
Inventory turnover days	42	39
Trade receivable turnover days	33	29
Trade payable turnover days	56	50
Debt equity ratio	(8.9)	159.3

(i) Current assets

Current assets decreased by RMB 95.2 million from RMB 626.7 million as at 31 December 2018 to RMB 531.4 million as at 31 December 2019, mainly due to the decrease in inventories of RMB 38.2 million, the decrease in cash and cash equivalents of RMB 51.6 million, and the decrease in other receivables, deposits and prepayments of RMB 12.6 million, which were partially offset by the increase in trade receivables of RMB 7.2 million. Trade receivable turnover days increased from 29 days in FY18 to 33 days in FY19. Inventory turnover days was higher at 42 days in FY19 as compared with 39 days for FY18.

(ii) Non-current assets

The decrease in non-current assets of RMB 66.0 million was mainly due to the depreciation of RMB 59.9 million, the impairment of property, plant and equipment of RMB 24.2 million in our Liaoning subsidiary and Sichuan subsidiary, and the disposal of plant and equipment of RMB 10.8 million, which were partially offset by the capital expenditure of RMB 23.7 million and the increase of asset from right of use by RMB 5.2 million.

(iii) Current liabilities

Current liabilities increased by RMB 103.8 million from RMB 602.2 million as at 31 December 2018 to RMB 706.0 million as at 31 December 2019, mainly due to the increase in short-term interest-bearing loans and

APPENDIX E – FY2019 RESULTS

borrowings of RMB 10.0 million, the increase in interest-free borrowing from a related party of RMB 139.2 million, the increase in amount owing to related parties of RMB 3.9 million, and the increase in income tax payable of RMB 4.3 million, which were partially offset by the decrease in trade payables of RMB 38.0 million and the decrease in other payables and accruals of RMB 16.4 million. Trade payable turnover days was higher at 56 days compared with 50 days for FY18.

The Group's debt equity ratio was negative 8.9 times as at 31 December 2019 compared with 159.3 times as at 31 December 2018, and the net debt equity ratio was negative 7.6 times as at 31 December 2019 (31 December 2018: 125.4 times). This was mainly due to the decrease in total equity resulting from the net loss in FY19 and the decrease of RMB 25.5 million in total bank loans and other borrowings.

WORKING CAPITAL AND BANK BORROWINGS AS AT 31 DECEMBER 2019

The management will take active steps to manage the Group's working capital position. As at 31 December 2019, the Group has approximately RMB 60.0 million (secured by pledge of cash deposits of RMB 30.0 million) in short-term bank loans to be repaid by end of 1QFY20. The repayment of loans that are due by end of 1QFY20 shall be funded through the operating cash flow, in addition to the new bank borrowings for which the management is in discussion with bankers as well as interest-free borrowings from related parties.

(iv) Non-current liabilities

Non-current liabilities decreased by RMB 176.7 million, due to the decrease in long-term interest-bearing bank loans of RMB 137.4 million, the decrease in interest-free borrowing from a related party of RMB 38.0 million which was reclassified as short-term borrowings, and the decrease in deferred income of RMB 5.0 million (due to the amortization of government grants), which were partially offset by the increase of RMB 3.7 million in amount owing to a related party.

(v) Shareholders' equity

As at 31 December 2019, shareholders' equity was lower than that as at 31 December 2018 due to the net loss of RMB 88.4 million incurred in FY19.

c) Cash Flows

For FY19, the Group experienced net operating cash inflow of RMB 27.8 million. This comprised operating profit before changes in working capital of RMB 51.1 million adjusted for increase in working capital of RMB 14.6 million and income taxes paid of RMB 8.7 million.

The increase in working capital was mainly the result of:

- i) an increase in trade receivables of RMB 5.8 million,
- ii) a decrease in trade payables of RMB 38.0 million, and
- iii) a decrease in other payables and accruals of RMB 16.4 million,

APPENDIX E – FY2019 RESULTS

which were partially offset by

- iv) a decrease in inventory of RMB 37.4 million,
- v) a decrease in other receivables, deposits and prepayments (including asset from right of use) of RMB 1.1 million, and
- vi) an increase in amount owing to related parties of RMB 7.1 million.

Net cash used in investing activities amounted to RMB 12.5 million in FY19. This was mainly due to the equipment upgrading expenditure and the purchase of packaging containers for our finished products. These cash outflows were partially mitigated by the cash inflows arising from proceeds from the disposal of plant and equipment of RMB 9.8 million and the interest income of RMB 1.3 million.

Net cash used in financing activities was RMB 66.8 million, mainly due to the net decrease in total bank loans of RMB 127.4 million and payment of interest expense of RMB 40.6 million. These cash outflows were partially offset by the increase in interest-free borrowing from a related party of RMB 101.2 million.

APPENDIX E – FY2019 RESULTS

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The actual financial results for 4QFY19 are consistent with the commentary under section 10 of the announcement dated 13 November 2019 on the unaudited financial statements for the third quarter and nine months ended 30 September 2019.

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

China economy

China's economic growth is likely to continue to slow down due to the on-going trade war with the United States. The domestic consumption continues to be sluggish and the recent outbreak of the COVID-19 virus, which is expected to affect the livelihood of the Chinese people, will further dampen the market demand. The Group expects yet another tough year ahead for its business due to the uncertainty of the demand for its products. In addition, the government's enforcement of pollution controls will add to the operation costs of the Group. The management is expected to upgrade the Group's equipment in all its factories to meet the stringent regulations.

Looking forward, the Group expects its raw corn material prices to remain stable for the year unless there is a new trade war between China and United States that warrants changes in government's policy on the supply of corn in the market.

Update on the Impact of COVID-19

As of now, the Group's operations have been disrupted due to the imposition of stop work order by the local authorities. The management is unable to assess the extent of the financial impact and is concerned about the possible prolonged duration and the extent of the disruption due to the COVID-19.

Update on the Company's Working Capital Position

The Executive Chairman, Mr Niu Ji Xing has continued to provide his commitments to the Group as follows:

(i) The letter of undertaking to provide continuing financial support to the Group by him shall continue to be in force and this is in addition to the corporate and personal guarantees granted and arranged by him, to secure RMB 473 million of the Group's banking facilities as at 31 December 2019;

(ii) He has since May 2019 stopped drawing his salary until the financial performance of the Group has improved; and

(iii) As at 31 December 2019, Mr Niu and his related company have granted interest-free loans amounting to RMB 152.6 million to the Group.

It is also noted that for FY19, the Group managed to generate positive cash flow from its operating activities with the EBIDTA of about RMB 48.6 million.

At the request of the Audit Committee, the management has on 24 February 2020 confirmed that the Group has not received any notifications from any financial institutions requiring early repayment of any loans.

APPENDIX E – FY2019 RESULTS

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been recommended for the financial year ended 31 December 2019 in view of the loss incurred for the year.

13 Summary of Interested Person Transactions for the financial period ended 31 December 2019

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	
	Year ended	Year ended
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Rental expenses to Shaanxi Luzhou	2,100	2,100
Interest payable for loan granted by Niu Ji Xing	77	184

Shaanxi Luzhou – Shaanxi Xingping Luzhou Sugar Products Co., Ltd

Mr Niu Jiu Xing (Executive Chairman and CEO of the Company) has granted a loan of SGD2.0 million to the Group at the interest rate of 1.88% per annum in May 2017, and the loan is interest-free from June 2019 onwards.

The Group does not have a general mandate from shareholders for interested person transactions.

APPENDIX E – FY2019 RESULTS

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Geographical segments

	RMB'000 FY19	RMB'000 FY18
Segment revenue by location of customers		
- PRC	1,949,959	2,146,650
- Overseas	92,195	76,160
	2,042,154	2,222,810
Capital expenditures by geographical location of assets		
- PRC	23,711	37,419
- Overseas	-	10
	23,711	37,429
Segment assets by geographical location of assets		
- PRC	1,056,067	1,216,315
- Overseas	208	1,209
	1,056,275	1,217,524

APPENDIX E – FY2019 RESULTS

Operating segment for FY19

	Corn refining RMB'000	Animal feeds RMB'000	Others RMB'000	Corporate RMB'000	Eliminations RMB'000	Notes	Group RMB'000
Revenue:							
External customers	2,039,358	-	2,796	-	-		2,042,154
Intra-segment sales	12,504	-	39,216	-	(51,720)	A	-
Total Revenue	2,051,862	-	42,012	-	(51,720)		2,042,154
Results:							
Segment (loss)/profit before tax	(28,073)	105	(2,078)	(7,689)	(37,550)	B	(75,285)
Income tax expense	(13,067)	-	-	-	-		(13,067)
Interest income from banks	1,328	-	3	-	-		1,331
Interest expenses	(41,035)	(1)	(7)	(78)	-		(41,121)
Depreciation of plant and equipment	(58,974)	(855)	(688)	(2)	1,662	C	(58,857)
Amortization of land use right	(1,070)	-	-	-	-		(1,070)
Impairment of property, plant and equipment	(24,183)	-	-	-	-		(24,183)
(Loss) on disposal of property, plant and equipment, net	(960)	-	-	-	-		(960)
Other non-cash (expenses)	(708)	-	(90)	(749)	-	D	(1,547)
Assets:							
Segment asset	1,049,682	3,106	10,699	208	(7,420)	E	1,056,275
Additions to non-current assets	23,706	-	5	-	-	F	23,711
Liabilities:							
Segment liabilities	1,122,792	12	1,648	14,752	589	G	1,139,793

APPENDIX E – FY2019 RESULTS

Operating segment for FY18

	Corn refining	Animal feeds	Others	Corporate	Eliminations	Notes	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
Revenue:							
External customers	2,220,524	-	2,286	-	-		2,222,810
Intra-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 tax	(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 expenses	(43,832)	(1)	(4)	(185)	-		(44,022)
Depreciation of plant and equipment	(80,283)	(860)	(703)	(1)	2,063	C	(79,784)
Amortization of land use right	(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)/income	(1,603)	-	17	-	-	D	(1,586)
Assets:							
Segment asset	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

APPENDIX E – FY2019 RESULTS

Segment information

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 tax" presented in consolidated financial statements:

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Profit from inter-segment sales	2,240	1,548
Finance costs net of interest income	(39,790)	(42,269)
Impairment loss of investment in subsidiaries	-	15,910
Total	<u>(37,550)</u>	<u>(24,811)</u>

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

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

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Foreign currency exchange loss on borrowings from a Director	(749)	-
Amortization of government grant	5,046	5,384
Allowance for of write-down of inventories, net	(805)	(1,030)
Addition of allowance for doubtful trade and other receivables, net	(5,039)	(5,940)
	<u>(1,547)</u>	<u>(1,586)</u>

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

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Inter-segment assets	(7,420)	(9,660)

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:

	<u>FY19</u>	<u>FY18</u>
	RMB'000	RMB'000
Deferred tax liabilities	589	589

APPENDIX E – FY2019 RESULTS

15 In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Please refer to Note 8 for the review of performance by business or geographical segments.

16 A breakdown of sales

	Group		
	FY19	FY18	Change
	RMB'000	RMB'000	%
(a) Sales reported for first half year	994,574	1,062,105	(6.4)
(b) Sales reported for second half year	1,047,580	1,160,705	(9.7)
Variance (H2 vs H1) %	5.3	9.3	
(c) (Loss) after tax and before attributing to non-controlling interests for first half year	(56,134)	(7,508)	647.7
(d) (Loss) after tax and before attributing to non-controlling interests for second half year	(32,218)	(83,006)	(61.2)
Variance (H2 vs H1) %	(42.6)	1,005.6	

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

There is no dividend declared for FY2018 and no dividend proposed for FY2019.

18 Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual.

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
26 February 2020

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

The provisions in the Constitution relating to rights of Shareholders in respect of capital, dividends and voting are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 18 Cross Street, #07-11, Cross Street Exchange⁶, Singapore 048423 during normal business hours until the Closing Date.

(A) RIGHTS IN RESPECT OF CAPITAL

SHARES

- | | | |
|-------|---|--|
| 5. | Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to these Articles relating to new shares and to any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) and at such time as the Directors determine Provided Always that the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same. | Shares under control of Company in General Meeting. |
| 6(1). | Subject to the limits referred to in Article 58, the Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting. | Authority of Directors to issue shares. |
| 6(2). | Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit. | |
| 7. | Subject to such limitation thereof as may be prescribed by the Exchange, any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject further to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine Provided Always that the total number of issued preference shares shall not at any time exceed the total number of the issued ordinary shares issued for the time being. | Company may issue shares with preferred, qualified, deferred and other special rights. |

⁶ "Cross Street Exchange" is formerly known as "China Square Central". In the Offer Document, the registered office of the Company is set out as 18 Cross Street, #07-11, China Square Central, Singapore 048423

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|--------|--|--|
| 8. | The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued. | Issue of further preference shares. |
| 9. | Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting. | Alteration of rights of preference shareholders. |
| 10. | Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears. | Rights of preference shareholders. |
| 10A. | The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. | Treasury shares. |
| 11. | If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative. | Instalments of shares. |
| 12. | The Company may pay such commissions or brokerage as may be lawful on any issue of shares at such rate or amount and in such manner as the Directors may deem fit to any person in consideration of his subscribing, or agreeing to subscribe, whether absolutely or conditionally, for any share in the capital of the Company. Any such commission or brokerage may be paid in whole or in part in cash or fully or partly paid shares of the Company. | Commission for subscribing |
| 13(1). | The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member. | Joint holders |
| 13(2). | Subject to Article 13(1), any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share. | |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- 13(3). The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.
14. No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where these Articles otherwise provide or as required by the Statutes or pursuant to any order of Court.
15. No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.
16. The Company may, subject to and in accordance with the Act and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or otherwise acquire ordinary shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit. Any share which is so purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition by the Company or, subject to the provisions of the Act and these Articles, be held by the Company as treasury shares. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

No trusts recognised.

Exercise of rights of Members.

Power to purchase or acquire its issued share.

SHARE CERTIFICATE

17. Every certificate for shares shall be under the Seal.
18. Every certificate of shares shall specify the distinctive numbers of the shares in respect of which it is issued, and the amount paid up and the amount (if any) unpaid thereon. No share certificate shall be issued representing shares of more than one class.
19. Every person whose name is entered as a registered holder in the Register shall be entitled without payment to receive within ten Market Days (or such other period as may be approved by the Exchange) after the closing date for applications to subscribe for a new issue of shares and within ten Market Days (or such other period as may be approved by the Exchange) after lodgement of a registrable transfer one certificate under the Seal in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class subject to such person's prior payment of two Singapore Dollars (or such other sum as the Directors shall from time to time determine having regard to any limitation thereof as the Statutes or Exchange may prescribe) for every certificate after the first and such stamp duty as is payable on such certificate unless otherwise directed by the Directors Provided Always that in the case of joint registered holders, the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them shall be sufficient delivery to all such holders.

Authentication of certificates.

Certificates shall specify number of shares.

Member's right to certificate & cancellation of certificates.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- 20(1). Where only some of the shares comprised in any share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu thereof without charge. Issue of replacement certificates.
- 20(2). Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register may be cancelled at his request and a single new certificate for such shares issued in lieu thereof without charge.
- 20(3). Any share certificate representing shares of any class held by any person whose name is entered in the Register may be surrendered by such person for cancellation and at his request the Company may issue in lieu thereof two or more share certificates representing such shares in such proportions as such person may specify, and the Directors may comply with such request if they think fit. Such person shall pay a maximum of two Singapore Dollars for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine, taking into consideration any limitation thereof as may be prescribed by the Exchange.
- 20(4). Subject to the Statutes, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity or undertaking (if required) being given by the purchaser, registered holder, transferee, person entitled or member company of the Exchange or on its behalf or their client or clients as the Directors shall require and in the case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding two Singapore Dollar as the Directors may from time to time require (or such other amount as may be permitted under the Statutes). In the case of theft, destruction or loss the registered holder or the person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss.
- 20(5). Where shares are registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.
21. The certificates of shares registered in the names of two or more persons may be delivered to the joint holder first named in the Register. Delivery of share certificates.

LIEN ON SHARES

22. The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends from time to time declared in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Article 22 upon such terms as they may deem fit in the best interest of the Company. Company's lien on shares.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|-----|--|----------------------------------|
| 23. | For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the shares or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice. | Right to enforce lien by sale. |
| 24. | The net proceeds of any such sale shall be applied in or towards the satisfaction of the unpaid calls and accrued interest and expenses of such sale, and the residue (if any) shall be paid to the person whose shares have been sold, his executors, administrators, trustees or assignees or as he shall direct. | Application of proceeds of sale. |
| 25. | To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser. | How sale to be effected. |

CALLS ON SHARES

- | | | |
|-----|---|---|
| 26. | The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. | Powers of Directors to make calls. |
| 27. | The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof. | Joint and several liability. |
| 28. | If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof. | Interest on unpaid calls. |
| 29. | Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided. | Sums payable under terms of allotment to be deemed calls. |
| 30. | The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls. | Difference in calls between various holders. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|-----|--|-----------------------------|
| 31. | The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. | Payment of call in advance. |
|-----|--|-----------------------------|

FORFEITURE OF SHARES

- | | | |
|-----|---|--|
| 32. | If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment of the same or any interest thereon, the Directors may at any time thereafter during such time as the call or instalment or interest remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest (including interest upon interest) and expenses that may have been incurred by the Company by reason of such non-payment. | Notice to be given of intended forfeiture. |
| 33. | The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment or interest is payable shall be liable to be forfeited. | Form of notice. |
| 34. | If the requirements of any notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter, before payment of all such calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder. | If notice not complied with shares may be forfeited. |
| 35. | Any share so forfeited or surrendered shall be deemed to be the property of the Company, and the Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed. | Sale etc of forfeited and surrendered shares. |
| 36. | The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-allotted, or otherwise disposed of, annul the forfeiture or surrender thereof upon such condition as they think fit. | Power to annul forfeiture. |
| 37. | For the purpose of giving effect to any sale of forfeited or surrendered shares, the Directors may authorise some person to transfer or to effect the transfer of, as the case may be, the shares sold to the purchaser. | Transfer of forfeited or surrendered shares. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

38. Any Member whose shares shall have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares but shall, notwithstanding such forfeiture or surrender, be liable to pay, and shall forthwith pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until payment, at the rate of eight per cent per annum and the Directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators, trustees or assignees or as he shall direct.
- 39(1). A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share has been duly forfeited, surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate, where the same be required, delivered to a purchaser or (where the purchaser is a Depositor) to the Depository or the allottee thereof, as the case may be, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share.
- 39(2). (a) In the event of such sale, re-allotment or disposal, where the person (the "Relevant Person") to whom the share is sold, re-allotted or disposed of is not a Depositor, the share shall be registered in the Register in the name of the Relevant Person and, where the Relevant Person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.
- (b) The Relevant Person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.
- Liability on forfeited shares.
- Declaration by Director or Secretary conclusive of fact of forfeiture.

TRANSFER OF SHARES

40. There shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Directors and the Exchange. The instrument of transfer shall be left at the Office accompanied by a certificate of payment of stamp duty (if any), the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.
41. The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.
- Shares to be transferable.
- Instrument of transfer.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|-----|---|---|
| 42. | Shares of different classes shall not be comprised in the same instrument of transfer. | Only shares of same class to be in same instrument. |
| 43. | No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind. | Restriction on transfer. |
| 44. | All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same. | Retention of Instrument of transfer. |
| 45. | The Directors may decline to accept any instrument of transfer unless:-

(a) all or any part of the stamp duty (if any) payable on each share transfer is paid to the Company; and

(b) such fee not exceeding two Singapore Dollars as the Directors may from time to time determine or such other sum as may from time to time be prescribed by the Exchange is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares. | Fees relating to transfers. |
| 46. | The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:-

(a) which are not fully paid up; or

(b) on which the Company has a lien. | Power of Directors to refuse to register. |
| 47. | If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within ten Market Days after the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and the precise reasons therefor. | Notice of refusal to be sent by Company. |
| 48. | The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made. | Closure of the Register. |

TRANSMISSION OF SHARES

- | | | |
|--------|---|------------------------------------|
| 49(1). | In the case of the death of a Member the survivor where the deceased was a joint holder, and the legal personal representative of the deceased who was a sole or only surviving holder, or where such legal representative is entered in the Depository Register in respect of the shares of the deceased Member who was a Depositor, shall be the only person recognised by the Company as having any title to his shares. | Transmission of registered shares. |
| 49(2). | Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share solely or jointly held by him. | |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

50. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register may upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the share, upon giving to the Company notice in writing of such intent, or to make such transfer thereof as such deceased or bankrupt person could have made, but the Directors shall in either case have the same right to refuse or suspend registration as they would have had in the case of such transfer by such deceased or bankrupt person before the death or bankruptcy, as the case may be.
51. Save as otherwise provided in these Articles, a person becoming entitled to a share pursuant to Articles 49(1) and 50, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice or to attend or vote at meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member until he shall have been registered as a Member in the Register or his name shall have been entered in the Depository Register, as the case may be. Provided Always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not complied with within ninety days of the date of such notice, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Rights of registration and transfer upon demise or bankruptcy of Member.

Person registered under transmission clause entitled to dividends.

STOCK

52. The Company in General Meeting may by Ordinary Resolution convert any paid-up shares into stock and may from time to time reconvert such stock into paid-up shares.
53. When any shares have been converted into stock the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in General Meeting shall direct, but in default of any direction then in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum number of stock units transferable.
54. The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the number of stock units held by them and such interests shall, in proportion to the number of units thereof, confer on the holders thereof respectively the same rights, privileges and advantages for the purposes of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such rights, privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any such number of stock units as would not, if existing in shares, have conferred such rights, privileges or advantages.
55. All such provisions of these Articles as are applicable to paid up shares shall apply to stock and in all such provisions the words "shares" shall include "stock", and "Depositor", "Member" and "shareholder" shall include "stockholder".

Conversion of shares to stock.

Stockholders entitled to transfer interest.

Definitions.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

INCREASE OF CAPITAL

- 57(1). Unless otherwise determined by the Company in General Meeting or except as permitted by the listing rules of the Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. Issue of new shares to Members.
- 57(2). The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided. Notice of issue.
58. The Company may pursuant to Section 161 of the Act by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares whether by way of rights, bonus or otherwise, and 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, and (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:- Issue of shares up to fifty per cent.
- (a) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;
 - (b) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and these presents; and
 - (c) unless previously revoked or varied by the Company in General Meeting, such authority conferred by the Ordinary Resolution shall not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
59. Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital. New capital considered part of original capital.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

ALTERATION OF CAPITAL

60(1). The Company may by Ordinary Resolution:-

Alteration of capital.

- (a) consolidate and divide its capital; or
- (b) sub-divide its existing shares or any of them (subject nevertheless to the provisions of the Act) provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or
- (c) subject to the Statutes, convert any class of shares into any other class of shares.

60(2). The Company may by Special Resolution reduce its share capital in any manner and with and subject to any requirement authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

(B) RIGHTS IN RESPECT OF VOTING

MODIFICATION OF CLASS RIGHTS

61. Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.

Modification of class rights.

GENERAL MEETINGS

66. In addition to any other meetings, a General Meeting shall be held at least once in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.

General Meetings.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|-----|---|---|
| 67. | The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings. | Annual General Meetings. |
| 68. | The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine. | First Annual General Meeting. |
| 69. | The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes. | Directors may call Extraordinary General Meetings. |
| 70. | <p>The Directors shall, on the requisition of the holders of not less than ten per cent of the total number of issued shares of the Company carrying voting rights at General Meetings (excluding treasury shares) upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:-</p> <p>(a) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(b) If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.</p> <p>(c) In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.</p> <p>(d) Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.</p> | Extraordinary General Meetings called on requisition of shareholders. |
| 71. | Subject to the Statutes relating to the convening of meetings to pass Special Resolutions, at least fourteen days' notice in writing of any General Meeting and at least twenty-one days' notice in writing in the case of a General Meeting to pass a Special Resolution specifying the place, day and hour of the meeting shall be given to all Members other than such as are not entitled under these Articles and the Act to receive such notices from the Company. Any notice of a General Meeting called to consider special business shall be a notice setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolutions in respect of such special business. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore and in writing to each stock exchange on which the Company is listed at least fourteen days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. | Notice of meeting. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|-----|--|---|
| 72. | Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more than fourteen intervening days. | Members may submit resolution to meeting on giving notice to Company. |
| 73. | Upon receipt of any such notice as in the last preceding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed. | Secretary to give notice to Members. |
| 74. | The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting. | Accidental omission to give notice. |

PROCEEDINGS AT GENERAL MEETINGS

- | | | |
|-----|--|------------------------|
| 75. | All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditors, the fixing of the remuneration of Directors, the election of Directors in the place of those retiring, the declaration of dividends and the appointment of and the fixing of the remuneration of the Auditors. | Special business. |
| 76. | Save as is herein otherwise provided, two Members present in person or by proxy shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business. Provided that (a) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum; and (b) where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum. A corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Article 91. | Quorum. |
| 77. | If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum. | If quorum not present. |
| 78. | The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting. | Chairman. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|--------|---|-------------------------------------|
| 79. | The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. | Adjournment. |
| 80. | At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:-

(a) the Chairman of the meeting; or

(b) not less than two Members present in person or by proxy and entitled to vote at the meeting; or

(c) a Member or Members present in person or by proxy, holding or representing, as the case may be:-

(i) not less than 10 per cent of the total voting rights of all Members entitled to vote at the meeting; or

(ii) not less than 10 per cent of the total number of paid-up shares of the Company (excluding treasury shares). | How matters are to be decided. |
| 81(1). | If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. | Chairman's direction as to poll. |
| 81(2). | No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs. | |
| 82. | Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution. | Declaration of Chairman conclusive. |
| 83(1). | No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. | Objection to admissibility. |
| 83(2). | If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting. | |
| 84. | In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote. | In the event of equality of votes. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

VOTES OF MEMBER

- 85(1). Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 10A:-
- Voting rights
- (a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman shall be entitled to treat the first named proxy as the authorised representative to vote where a Member is represented by two proxies; and
- (b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.
- 85(2). For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.
86. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.
- Right of joint holders.
87. Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.
- Members only entitled to vote upon full payment.
88. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.
- Votes of Members of unsound mind.
89. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- Vote personal or by proxy.
- 90(1). A proxy need not be a Member.
- Proxies.
- 90(2). A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:-
- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and
 - (c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
- 90(3). In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
- 91. Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder and such corporate Member shall for the purpose of these Articles (but subject to the Act) be deemed to be present at any such meeting if a person so authorised is present thereat. Corporation may appoint representative.
- 92. An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:- Execution of instrument of proxy on behalf of appointor.
 - (1) in the case of an individual shall be signed by the appointor or his attorney;
 - (2) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
- 93. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. Lodgement of instrument appointing proxy.
- 94. The signature on an instrument of proxy need not be witnessed. No witness needed for instrument of proxy.
- 95. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting. When vote by proxy valid though authority revoked.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|-----|---|--|
| 96. | An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting. | Instrument deemed to confer authority. |
|-----|---|--|

DIRECTORS

- | | | |
|---------|--|-----------------------------------|
| 98. | Until otherwise determined by a Special Resolution at a General Meeting, the number of Directors shall not be less than three or more than nine. All the Directors of the Company shall be natural persons. | Number of Directors. |
| 102(1). | The Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, subject to Section 169 of the Act, be determined by the Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst the Directors as they shall determine or failing agreement equally. | Remuneration. |
| 102(2). | The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting. | |
| 102(3). | The remuneration of a non-executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover. | |
| 102(4). | The provisions of this Article are without prejudice to the power of the Directors to appoint any of their number to be employee or agent of the Company at such remuneration and upon such terms as they think fit without the approval of the Members in General Meeting provided that such remuneration may include a commission on or percentage of profits but not a commission on or percentage of turnover. | |
| 102(5). | Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums. | |
| 111. | The Company by Special Resolution in General Meeting may, from time to time, increase or reduce the number of Directors, and may alter their qualification, if any. | Appointment of Managing Director. |

POWERS AND DUTIES OF DIRECTORS

- | | | |
|------|---|----------------------|
| 115. | The business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all such powers of the Company, as are not by the Statutes or by these Articles, required to be exercised by the Company in General Meeting. A Director who is not a Member of the Company may nonetheless be entitled to attend and speak at General Meetings. | Powers of Directors. |
| 116. | The Directors shall not carry into effect any proposals for selling or disposing of the whole or substantially the whole of the Company's undertaking or property unless those proposals have been approved or ratified by the Company in General Meeting. | |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

118. The Company may from time to time by Ordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead. The person so appointed shall continue to hold office until the next Annual General Meeting.
- Removal of Directors.

ACCOUNTS

151. The books of accounts shall be kept at the Office of the Company, or at such other place or places as the Directors shall think fit. The Directors shall from time to time determine whether and to what extent and at what times and places and what conditions or regulations the accounts and books of the Company shall be open to the inspection of Members and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Statutes or authorised by the Directors or by a resolution of the Company in General Meeting.
- Books to be kept at Office.

NOTICES

- 159(1). (a) A notice or other document may be served by the Company upon a Member, either personally, or by sending it through the post in a prepaid letter or by telex or facsimile transmission addressed to such Member at his address as appearing in the Register or in the Depository Register, as the case may be.
- (b) Without prejudice to the provisions of Article 159(1), any notice or document (including without limitation, any accounts, balance-sheet or report) which is required or permitted to be given, sent or served under the Act or these Articles by the Company, or by the Directors, to a Member or an officer or Auditors of the Company may be given, sent or served using electronic communications to the current address of that person in accordance with the provisions of, or as otherwise provided by the Act and/or any other applicable regulations or procedures.
- How notices and documents to be served.
- 159(2). Notwithstanding the aforesaid provisions, where the Directors have determined that any notice or other document shall not be served to a Member in any country or jurisdiction outside the Republic of Singapore, any Member who is described in the Register or in the Depository Register, as the case may be, by an address not within the Republic of Singapore shall be deemed to be duly served with such notice or document when such notice or document is duly posted up in the Office.
160. All notices directed to be given to the Members shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register or in the Depository Register, as the case may be, and notice so given shall be sufficient notice to all the holders of such share.
- Notice to joint holders.
161. Any Member described in the Register or the Depository Register, as the case may be, by an address not within the Republic of Singapore who shall from time to time give the Company an address within the Republic of Singapore at which notices may be served upon him shall be entitled to have served upon him at such address any notice to which he would be entitled under these Articles.
- Address for service.
162. As regards Members who have no address appearing in the Register or the Depository Register, as the case may be, a notice posted up in the Office shall be deemed to be duly served on them at the expiration of twenty-four hours after it is so posted up.
- Where no address.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|------|---|--------------------------------------|
| 163. | Any document other than a notice required to be served on a Member, may be served in like manner as a notice may be given to him under these Articles. The signature to any such notice or document may be written or printed. | Service of documents. |
| 164. | Any notice or other document required to be sent or served upon the Company or upon any officer of the Company may be sent or served by leaving the same or sending it through the post in a prepaid letter, envelope or wrapper or by telex or facsimile transmission addressed to the Company or to such officer at the Office. | Service on Company. |
| 165. | Any notice or other document, if served or sent by post, shall be deemed to have been served at the time the same is left at the address of the Member in the Register or in the Depository Register, as the case may be, if served personally and at the time when the letter containing the same is put into the post if sent by post, (and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office) and at the same time the same would have reached the Member in the normal course if sent by telex or facsimile transmission. Any notice given, sent or served using electronic communications (as the case may be) shall be deemed to have been duly given, sent or served upon transmission of the electronic communications to the current address of such person or as otherwise provided under the Act and/or other applicable regulations or procedures. | When service effected. |
| 166. | Every person who, by operation of law, transfer or any other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being registered in the Register or in the Depository Register, as the case may be, shall be duly given to the person from whom he derives his title to such share. | Transferees bound by prior notice. |
| 167. | Any notice or document served upon or sent to, or left at the address of any Member in the Register or in the Depository Register, as the case may be, pursuant to these Articles, shall, notwithstanding that such Member be then deceased or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share held by such Member, whether held solely or jointly with other persons, until some other person be registered in his stead as the holder or joint holder of such share, and such service shall, for all purposes of these Articles, be deemed a sufficient service of such notice or document on his executors, administrators or assigns, and all persons (if any) jointly interested with him in such share. | Notice valid though Member deceased. |

WINDING UP

- | | | |
|------|---|-----------------------------------|
| 170. | If the Company shall be wound up, the liquidators may, with the sanction of a Special Resolution, divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved or otherwise than in accordance with such rights, the Members shall have the same right of dissent and consequential rights as if such resolution were a Special Resolution passed pursuant to Section 306 of the Act. A Special Resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorise the distribution of any share or other consideration receivable by the Liquidators amongst the Members otherwise than in accordance with their existing rights; and any such determination, shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section. | Distribution of assets in specie. |
|------|---|-----------------------------------|

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

(C) RIGHTS IN RESPECT OF DIVIDENDS

DIVIDENDS AND RESERVES

- | | | |
|------|---|----------------------------------|
| 135. | Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act: (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored. | Appropriation of profits. |
| 136. | The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. | Declaration of Dividend. |
| 137. | No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest. | Dividend payable out of profits. |
| 138. | The declaration of the Directors as to the net profits of the Company shall be conclusive. | Declaration conclusive. |
| 139. | The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months. | Interim dividend. |
| 140. | The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists. | Debts may be deducted. |
| 141. | A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be. | Effect of transfer. |
| 142. | Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payment shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective. | Dividend in specie. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- | | | |
|------|--|--|
| 143. | The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same. | Power to retain dividends. |
| 144. | In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares. | Payment to and receipt by joint holders. |
| 145. | Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement. | Notice of dividend. |
| 146. | Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository. | Payment by post. |
| 147. | The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed. | Unclaimed dividends. |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

BONUS ISSUE AND CAPITALISATION OF PROFITS AND RESERVES

148(1). The Directors may, with the sanction of the Company by way of an Ordinary Resolution, including any Ordinary Resolution passed pursuant to Article 6(1):

Capitalisation
of profits and
reserves.

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register or (as the case may be) the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Article 6(1)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and

(b) capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register or (as the case may be) the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Article 6(1)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

148(2). The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Article 148(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

- 148(3). In addition and without prejudice to the powers provided for by Articles 148(1) and 148(2), the Directors shall have the power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares, in each case on terms that such shares shall upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting, in such manner and on such terms as the Directors shall think fit.

RESERVE FUND

149. The Directors may, before declaring any dividend or bonus in respect of any class of shares out of or in respect of the earnings or profits of the Company for any yearly or other period, cause to be reserved or retained and set aside out of such sums as they may determine to form a Reserve Fund to meet contingencies or depreciation in the value of the property of the Company, or for equalising dividends or for special dividends or for distribution of bonuses or for repairing, improving and maintaining any of the property of the Company, or for such other purposes the Directors shall, in their absolute discretion, think conducive to the interest of the Company.

Formation and
object of Reserve
Fund.



Valuation Report

Luzhou Bio-Chem Technology Limited

Portfolio Valuation

Valuation as at 30 June 2020

16/F, 1063 King's Road, Quarry Bay, Hong Kong
Tele: +852 2507 0507
Fax: +852 2530 1502
cushmanwakefield.com.hk

Our Ref: F20-002397-01

APPENDIX G – VALUATION REPORTS



**Valuation
Report No.** : F20-002397-01

Our Ref : GL/BJ-EL/jc

Date : 24 July 2020

The Directors
Luzhou Bio-Chem Technology Limited
8 Burn Road, #07-09, Trivex
Singapore 369977

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with the instructions from Luzhou Bio-Chem Technology Limited (鲁洲生物科技有限公司) (the "Company") for Cushman & Wakefield Limited ("C&W") to value the properties held by the Company and/or its subsidiaries (collectively the "Group") situated in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation report), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 June 2020 (the "valuation date").

Valuation Basis

Our valuation of each of the properties represents its market value which, in accordance with the International Valuation Standards 2017 Edition published by the International Valuation Standards Council, is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"

We confirm we have complied with the requirements set out in the International Valuation Standards 2017 Edition published by the International Valuation Standards Council.

Our valuation of each of the properties is on an entirety interest basis.

Valuation Assumptions

Our valuation of each of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the properties, we have assumed that transferable land use rights in respect of the properties for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company regarding the title to the properties and the interests in the properties.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

In valuing the properties, we have assumed that the Group has enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired term as granted. We have assumed that all consents, approvals and licence from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Market Uncertainty

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the valuation date.

Method of Valuation

In the valuation of the properties, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have adopted the Depreciated Replacement Cost ("DRC") Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. The DRC Method is subject to service potential of the entity from the use of assets as a whole paying regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, completion date of buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, number of parking spaces, interests attributable to the Group and all other relevant matters.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with extracts of documents relating to the titles to the properties in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding the interests of the Company in the PRC properties.

Site Inspection

Due to the COVID-19 outbreak and travel restriction, no site inspections have been arranged for the properties. As per the instruction from the Company, we have valued the properties on desktop basis and relied on the recent photos and other assisting materials of the properties provided by the Company. However, no structural survey has been made, we are not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("RMB"), the official currency of the PRC.

Intended Use and User of Report

This valuation report is issued for the use of the Company for incorporation into its circular regarding its proposed privatization (the "Circular"). We hereby give, and confirm that we have not withdrawn our consent, to the issue of the Circular with the inclusion of our summary of valuations, valuation report and references to our name or summaries of opinions included in the Circular in the form and context in which they respectively appear in the Circular.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Other Disclosure

Other than as disclosed in this valuation report, we, Cushman & Wakefield Limited hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are independent for the purposes of paragraph 8 of Appendix 6 to the Code on Collective Investment Scheme issued by the Monetary Authority of Singapore.

We enclose herewith a summary of valuations and valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Director

Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Registered Professional Surveyor who has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

SUMMARY OF VALUATIONS

Completed properties held by the Group for operation in the PRC

Property	Market value in existing state as at 30 June 2020 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 30 June 2020 (RMB)
1. An industrial complex in Industry Cluster Zone, Zhongduan Road South, Yingbin Avenue, Xiping Country, Zhumadian City, Henan Province, The PRC (中國 河南省駐馬店市 西平縣迎賓大道中段路南 產業聚集區廠房)	48,720,000	100	48,720,000
2. An industrial complex in the west of Aji Village, Hada Town, Dongzhou District, Fushun, Liaoning Province, The PRC (中國 遼寧省撫順市 東洲區哈達鎮 阿及村西側廠房)	89,950,000	100	89,950,000

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Property	Market value in existing state as at 30 June 2020 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 30 June 2020 (RMB)
3. An industrial complex at Zhenxing Road, Economy Development Zone, Xishui Village, Linyi, Shandong Province, The PRC (中國 山東省臨沂市 沂水縣經濟開發區振興路 廠房)	127,740,000	100	127,740,000
4. An industrial complex, No. 54 Xingyu Road, Dongcheng District, Xingping, Shaanxi Province, The PRC (中國 陝西省興平市 東城區 興榆路 54 號廠房)	24,890,000	100	24,890,000

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Property	Market value in existing state as at 30 June 2020 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 30 June 2020 (RMB)
5. An industrial complex at the middle section of Industrial Avenue, Pengshan Economic Development Zone, Qinglong Town, Pengshan District, Meishan, Sichuan Province, The PRC (中國 四川省眉山市 彭山區青龍鎮 彭山經濟開發區 工業大道中段廠房)	48,360,000	100	48,360,000
Grand total	339,660,000		339,660,000

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

VALUATION REPORT

Completed properties held by the Group for operation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020																
1. An industrial complex in Industry Cluster Zone, Zhongduan Road South, Yingbin Avenue, Xiping Country, Zhumadian City, Henan Province, The PRC (中國 河南省駐馬店市 西平縣迎賓大道中段路南 產業聚集區廠房)	The property comprises an industrial complex erected on a parcel of land with a site area of 138,154.83 sq m. The industrial complex comprises 32 buildings with a total gross floor area of 36,203.51 sq m completed in about 2006. The gross floor area details are summarized as follows: <table><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr><tr><td>Workshop</td><td>21,542.91</td></tr><tr><td>Dormitory</td><td>4,197.60</td></tr><tr><td>Warehouse</td><td>6,171.20</td></tr><tr><td>Office</td><td>2,776.66</td></tr><tr><td>Ancillary</td><td>1,515.14</td></tr><tr><td>Facilities</td><td></td></tr><tr><td>Total</td><td>36,203.51</td></tr></table> The land use rights of the property have been granted for a term of 50 years due to expire on 26 September 2055 for industrial use.	Building	Gross Floor Area (sq m)	Workshop	21,542.91	Dormitory	4,197.60	Warehouse	6,171.20	Office	2,776.66	Ancillary	1,515.14	Facilities		Total	36,203.51	As at the valuation date, the property was occupied by Luzhou Biotechnology (Henan) Co., Ltd. (魯洲生物科技(河南)有限公司) for manufacturing use.	RMB48,720,000 (RENMINBI FORTY EIGHT MILLION SEVEN HUNDRED AND TWENTY THOUSAND) (100% interest attributable to the Group: RMB48,720,000) (See Note (1))
Building	Gross Floor Area (sq m)																		
Workshop	21,542.91																		
Dormitory	4,197.60																		
Warehouse	6,171.20																		
Office	2,776.66																		
Ancillary	1,515.14																		
Facilities																			
Total	36,203.51																		

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Notes :-

- (1) According to 8 Real Estate Title Certificates and 1 Building Ownership Certificate issued by the Xiping Country Natural Resources Bureau, the building ownership of 25 buildings with a total gross floor area of 29,551.06 sq m have been granted to Luzhou Biotechnology (Henan) Co., Ltd. (鲁洲生物科技(河南)有限公司) with details as follows: -

Certificate No.	Building	Gross Floor Area (sq m)	Use
(2019) 0007578	Office, Ancillary Facilities	2,776.66	Office, Others
(2019) 0007579	Warehouse, Workshop	4,973.94	Warehouse, Workshop
(2019) 0007580	Warehouse, Workshop, Staff Quarters	5,260.88	Warehouse, Staff Quarters
(2019) 0007581	Workshop, Staff Quarters, Canteen	5,387.90	Workshop, Staff Quarters, Canteen
(2019) 0007582	Workshop	4,941.18	Workshop, Ancillary Facilities
(2019) 0007583	Workshop	511.16	Warehouse, Workshop
(2019) 0007584	Workshop	2,836.35	Industrial
(2019) 0007585	Workshop	1,657.98	Industrial
(Xi Baicheng) 00032378	Workshop	1,205.01	Ancillary Facilities
Total		29,551.06	

As advised by the Company, portions of the property with a total gross floor area of 6,652.45 sq m are not yet granted with any Building Ownership Certificates. In the course of our valuation, we have ascribed no commercial value to such portions. Had valid title documents been issued to such portions, all land premium and related fees for the grant of the title documents been fully settled, the market value of the such portions of the property as at the valuation date would be RMB6,010,000.

- (2) The status of the title and grant of major approvals in accordance with the information provided to us are as follows:-

Real Estate Title Certificate	Yes
Building Ownership Certificate	Yes

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

(3) We have prepared our valuation on the following assumptions:-

- (a) Luzhou Biotechnology (Henan) Co., Ltd. (鲁洲生物科技(河南)有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
- (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (c) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the property may be disposed of freely to the purchasers at nil encumbrances.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020										
2. An industrial complex in the west of Aji Village, Hada Town, Dongzhou District, Fushun, Liaoning Province, The PRC (中國遼寧省撫順市東洲區哈達鎮阿及村西側廠房)	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 133,400 sq m. The industrial complex comprises 10 buildings with a total gross floor area of 44,647.82 sq m completed in about 2012. The gross floor area details are summarized as follows: <table><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr><tr><td>Workshop</td><td>24,259.81</td></tr><tr><td>Warehouse</td><td>17,898.57</td></tr><tr><td>Office building</td><td>2,489.44</td></tr><tr><td>Total</td><td>44,647.82</td></tr></table> The land use rights of the property have been granted for a term of 50 years due to expire on 23 June 2061 for industrial use.	Building	Gross Floor Area (sq m)	Workshop	24,259.81	Warehouse	17,898.57	Office building	2,489.44	Total	44,647.82	As at the valuation date, the property was occupied by Luzhou Biotechnology (Liaoning) Co., Ltd. (魯洲生物科技(遼寧)有限公司) for manufacturing use.	RMB89,950,000 (RENMINBI EIGHTY NINE MILLION NINE HUNDRED AND FIFTY THOUSAND) (100% interest attributable to the Group: RMB89,950,000)
Building	Gross Floor Area (sq m)												
Workshop	24,259.81												
Warehouse	17,898.57												
Office building	2,489.44												
Total	44,647.82												

Notes :-

- (1) According to 10 Real Estate Title Certificates issued by the Fushun Land Resources Bureau, the building ownership of 10 buildings with a total gross floor area of 44,647.82 sq m have been granted to Luzhou Biotechnology (Liaoning) Co., Ltd. (魯洲生物科技(遼寧)有限公司) with details as follows: -

Certificate No.	Building	Gross Floor Area (sq m)	Use
(2018) 0006445	Office	2,489.44	Non-residential
(2018) 0006304	Laboratory	3,103.01	Non-residential
(2018) 0006507	Laboratory Phase 1	3,078.01	Non-residential
(2018) 0006497	Starch Workshop	8,692.09	Non-residential
(2018) 0006558	By-product Packing Room	2,596.87	Non-residential
(2018) 0007279	Dextrin Workshop	4,221.66	Non-residential

30 June 2020

Certificate No.	Building	Gross Floor Area (sq m)	Use
(2018) 0006556	Dextrin Packing Workshop	8,031.49	Non-residential
(2018) 0006451	Maltose fructose Workshop	4,161.77	Non-residential
(2018) 0006505	Cask Washing and Storing Room	1,003.27	Non-residential
(2018) 0006506	Liquid Filling Room	7,270.21	Non-residential
	Total	44,647.82	

- | | |
|-------------------------------|-----|
| Real Estate Title Certificate | Yes |
|-------------------------------|-----|

- (a) Luzhou Biotechnology (Liaoning) Co., Ltd. (鲁洲生物科技(遼寧)有限公司) has proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
- (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (c) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the property may be disposed of freely to the purchasers at nil encumbrances.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020														
3. An industrial complex at Zhenxing Road, Economy Development Zone, Xishui Village, Linyi, Shandong Province, The PRC (中國 山東省臨沂市 沂水縣經濟開發區 振興路廠房)	The property comprises an industrial complex erected on a parcel of land with a site area of 348,085. 00 sq m. The industrial complex comprises 49 buildings with a total gross floor area of 131,078.91 sq m completed between 2007 to 2017. The gross floor area details are summarized as follows: <table><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr><tr><td>Workshop</td><td>89,285.13</td></tr><tr><td>Dormitory</td><td>96.64</td></tr><tr><td>Warehouse</td><td>31,988.28</td></tr><tr><td>Office</td><td>3,531.65</td></tr><tr><td>Ancillary Facilities</td><td>6,177.21</td></tr><tr><td>Total</td><td>131,078.91</td></tr></table> The land use rights of the property have been granted for terms due to expire on 21 December 2055, 16 January 2057 and 19 July 2057 respectively for industrial use.	Building	Gross Floor Area (sq m)	Workshop	89,285.13	Dormitory	96.64	Warehouse	31,988.28	Office	3,531.65	Ancillary Facilities	6,177.21	Total	131,078.91	As at the valuation date, the property was occupied by Luzhou Biotechnology (Shandong) Co., Ltd Yishui branch (魯洲生物科技（山東）有限公司沂水分公司) for manufacturing use.	RMB127,740,000 (RENMINBI ONE HUNDRED TWENTY SEVEN MILLION SEVEN HUNDRED AND FORTY THOUSAND) (100% interest attributable to the Group: RMB127,740,000) (See Note (2))
Building	Gross Floor Area (sq m)																
Workshop	89,285.13																
Dormitory	96.64																
Warehouse	31,988.28																
Office	3,531.65																
Ancillary Facilities	6,177.21																
Total	131,078.91																

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Notes :-

- (1) According to 3 State-owned Land Use Rights Certificates issued by the Yishui Government (沂水縣人民政府), the land use rights of the property with a total site area of 348,085.00 sq m have been vested in Luzhou Biotechnology (Shandong) Co., Ltd (魯洲生物科技(山東)有限公司) with details as follows:-

Certificate No.	Issue Date	Use	Land Use Term Expiry Date	Site Area (sq m)
(2007) 110	8 May 2007	Industrial	16 January 2057	168,952.00
(2006) 0316	29 September 2006	Industrial	19 July 2057	81,188.00
(2006) 0315	29 September 2006	Industrial	21 December 2055	97,945.00
Total:				348,085.00

- (2) According to 2 Real Estate Title Certificates issued by the Yishui Real Estate Administration Office (沂水縣房地產管理辦公室), the building ownership of 10 buildings with a total gross floor area of 83,271.23 sq m have been vested in Luzhou Biotechnology (Shandong) Co., Ltd Yishui Branch (魯洲生物科技(山東)有限公司) with details as follows: -

Certificate No.	Building	Gross Floor Area (sq m)	Use
003925	Workshop/Warehouse/Office/Ancillary Facilities	83,153.85	Industrial
(2018) 0004744	Residential/ Storage	117.38	Non-residential
Total		83,271.23	

As advised by the Company, portions of the property with a total gross floor area of 47,896.93* sq m are not yet granted with any Building Ownership Certificates. In the course of our valuation, we have ascribed no commercial value to such portions. Had valid title documents been issued to such portions, all land premium and related fees for the grant of the title documents been fully settled, the market value of the such portions of the property as at the valuation date would be RMB37,170,000.

* As advised by the Company, a building of gross floor area of 89.25 sq m has been demolished as at the valuation date. The portion has been excluded from the above area and valuation.

- (3) The status of the title and grant of major approvals in accordance with the information provided to us are as follows:-

State-owned Land Use Rights Certificates	Yes
Real Estate Title Certificates	Yes

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

- (4) We have prepared our valuation on the following assumptions:-
- (a) Luzhou Biotechnology (Shandong) Co., Ltd (魯洲生物科技(山東)有限公司) has proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
 - (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
 - (c) the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - (d) the property may be disposed of freely to the purchasers at nil encumbrances.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020												
4. An industrial complex, No. 54 Xingyu Road, Dongcheng District, Xingping, Shaanxi Province, The PRC (中國 陝西省興平市 東城區 興榆路 54 號 廠房)	The property comprises an industrial complex erected on a parcel of land with a site area of 42,548.00 sq m. The industrial complex comprises 18 buildings with a total gross floor area of 21,190.31 sq m completed in between 2006 and 2017. The gross floor area details are summarized as follows: <table><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr><tr><td>Workshop</td><td>10,153.16</td></tr><tr><td>Warehouse</td><td>546.00</td></tr><tr><td>Office building</td><td>3,423.15</td></tr><tr><td>Ancillary facility</td><td>7,068.00</td></tr><tr><td>Total</td><td>21,190.31</td></tr></table> The land use rights of the property have been granted for a term of 50 years due to expire on 1 November 2056 for industrial use.	Building	Gross Floor Area (sq m)	Workshop	10,153.16	Warehouse	546.00	Office building	3,423.15	Ancillary facility	7,068.00	Total	21,190.31	As at the valuation date, the property was occupied by Luzhou Biotechnology (Shaanxi) Co., Ltd. (魯洲生物科技（陝西）有限公司) for manufacturing use.	RMB24,890,000 (RENMINBI TWENTY FOUR MILLION EIGHT HUNDRED AND NINETY THOUSAND) (100% interest attributable to the Group: RMB24,890,000) (See Note (2))
Building	Gross Floor Area (sq m)														
Workshop	10,153.16														
Warehouse	546.00														
Office building	3,423.15														
Ancillary facility	7,068.00														
Total	21,190.31														

Notes :-

- (1) According to Certificate of State-owned Land Use Rights No. XGY(2008)278 issued by the Xingping Land Resources Bureau, the land use rights of a parcel of land with a site area of 42,548.00 sq m have been vested in Luzhou Biotechnology (Shaanxi) Co., Ltd. (魯洲生物科技(陝西)有限公司) for a term of 50 years due to expire on 1 November 2056 for industrial use.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

- (2) According to Building Ownership Certificate No. XPFQZDC23586 issued by the Xingping Municipal People's Government, the building ownership of 7 buildings with a total gross floor area of 12,403.31 sq m has been vested in Luzhou Biotechnology (Shaanxi) Co., Ltd. (鲁洲生物科技(陕西)有限公司) with details as follows: -

Certificate No.	Floor	Gross Floor Area (sq m)	Use
XPFQZDC23586	1	933.30	Industrial
XPFQZDC23586	1	1,325.00	Industrial
XPFQZDC23586	1	1,647.07	Industrial
XPFQZDC23586	1	3,853.79	Industrial
XPFQZDC23586	6	3,423.15	Office
XPFQZDC23586	1	661.00	Industrial
XPFQZDC23586	3	560.00	Industrial
Total		12,403.31	

As advised by the Company, portions of the property with a total gross floor area of 8,787.00 sq m are not yet granted with any Building Ownership Certificates. In the course of our valuation, we have ascribed no commercial value to such portions. Had valid title documents been issued to such portions, all land premium and related fees for the grant of the title documents been fully settled, the market value of the such portions of the property as at the valuation date would be RMB5,990,000.

- (3) The status of the title and grant of major approvals in accordance with the information provided to us are as follows:-

Certificate of State-owned Land Use Rights	Yes
Building Ownership Certificate	Yes

- (4) We have prepared our valuation on the following assumptions:-

- (a) Luzhou Biotechnology (Shaanxi) Co., Ltd. (鲁洲生物科技(陕西)有限公司) has proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
- (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (c) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the property may be disposed of freely to the purchasers at nil encumbrances.

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020														
5. An industrial complex at the middle section of Industrial Avenue, Pengshan Economic Development Zone, Qinglong Town, Pengshan District, Meishan, Sichuan Province, The PRC (中國四川省眉山市彭山區青龍鎮彭山經濟開發區工業大道中段廠房)	The property comprises an industrial complex erected on a parcel of land with a site area of 131,587.80 sq m. The industrial complex comprises 20 buildings with a total gross floor area of 41,798.08 sq m completed in between 2007 and 2010. The gross floor area details are summarized as follows: <table><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr><tr><td>Workshop</td><td>23,200.68</td></tr><tr><td>Warehouse</td><td>10,114.76</td></tr><tr><td>Office Building</td><td>2,114.58</td></tr><tr><td>Ancillary</td><td>6,368.06</td></tr><tr><td>Facilities</td><td></td></tr><tr><td>Total</td><td>41,798.08</td></tr></table> The land use rights of the property have been granted for a term due to expire on 3 May 2059 for industrial use.	Building	Gross Floor Area (sq m)	Workshop	23,200.68	Warehouse	10,114.76	Office Building	2,114.58	Ancillary	6,368.06	Facilities		Total	41,798.08	As at the valuation date, the property was occupied by Luzhou Biotechnology (Sichuan) Co., Ltd. (魯洲生物科技（四川）有限公司) for manufacturing use.	RMB48,360,000 (RENMINBI FORTY EIGHT MILLION THREE HUNDRED AND SIXTY THOUSAND) (100% interest attributable to the Group: RMB48,360,000)
Building	Gross Floor Area (sq m)																
Workshop	23,200.68																
Warehouse	10,114.76																
Office Building	2,114.58																
Ancillary	6,368.06																
Facilities																	
Total	41,798.08																

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

Notes :-

- (1) According to State-owned Land Use Rights Certificate No. (2009) 02441 issued by the Pengshan Land Resources Bureau (彭山國土資源局) in August 2009, the land use rights of the property with a total site area of 131,587.80 sq m have been vested in Luzhou Biotechnology (Sichuan) Co., Ltd. (魯洲生物科技 (四川) 有限公司) for a term due to expire on 3 May 2059 for industrial use.
- (2) According to 20 Building Ownership Certificates issued by the Fushun Land Resources Bureau, the building ownership of 20 buildings with a total gross floor area of 41,798.08 sq m have been granted to Luzhou Biotechnology (Sichuan) Co., Ltd. (魯洲生物科技 (四川) 有限公司) with details as follows: -

Certificate No.	Building	Gross Floor Area (sq m)	Use
0029789	Floor 1, Building 1	651.65	Dry Coal Shed
0029790	Floor 1, Building 2	2,111.75	Rice Warehouse
0029791	Floor 1, Building 3	3,569.27	Saccharification Workshop
0029792	Floor 1, Building 4	2,104.94	Protein Warehouse
0029793	Floor 1, Building 5	1,428.49	Raw Material Warehouse
0029794	Floor 1, Building 6	1,368.06	Canteen
0029795	Floor 1, Building 7	2,054.10	Dry Starch Workshop
0029796	Floor 1, Building 8	3,121.82	By-product Warehouse
0029797	Floor 1, Building 9	3,804.04	Starch Workshop
0029798	Floor 1, Building 10	696.11	Equipment Loading Team
0029799	Floor 1, Building 11	755.70	Silo Workshop
0029800	Floor 1, Building 12	2,096.47	Filling Workshop
0029801	Floor 1-5, Building 13	5,000.00	Dormitory
0029802	Floor 1-3, Building 14	2,114.58	Office Building
0040747	Floor 1, Building 20	684.78	Workshop
0040748	Floor 1, Building 19	774.11	Workshop
0040749	Floor 1-8, Building 18	1,880.51	Workshop
0040750	Floor 1-3, Building 17	5,864.40	Workshop
0040751	Floor 1, Building 16	1,449.42	Workshop
0040752	Floor 1-4, Building 15	267.88	Workshop
Total		41,798.08	

- (3) The status of the title and grant of major approvals in accordance with the information provided to us are as follows:-

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes

APPENDIX G – VALUATION REPORTS



Portfolio Valuation

Valuation Date

30 June 2020

(4) We have prepared our valuation on the following assumptions:-

- (a) Luzhou Biotechnology (Sichuan) Co., Ltd. (鲁洲生物科技(四川)有限公司) has proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
- (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (c) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the property may be disposed of freely to the purchasers at nil encumbrances.



Valuation Report

Luzhou Bio-Chem Technology Limited

Valuation of Machineries and Equipment installed in the industrial plants of five subsidiaries of Luzhou Bio-Chem Technology Limited situated in Henan Province, Liaoning Province, Shandong Province, Shaanxi Province and Sichuan Province, the People's Republic of China

Valuation as at 30 June 2020

16/F, 1063 King's Road, Quarry Bay, Hong Kong
Tele: +852 2507 0507
Fax: +852 2530 1502
cushmanwakefield.com.hk

Our Ref: F20-002397-02

APPENDIX G – VALUATION REPORTS



Valuation
Report No. : F20-002397-02

Our Ref : GL/BJ-EL/jc

Date : 24 July 2020

The Directors
Luzhou Bio-Chem Technology Limited,
8 Burn Road, #07-09, Trivex
Singapore 369977

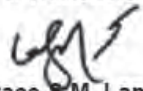
Dear Sir/Madam,

In accordance with the instructions from Luzhou Bio-Chem Technology Limited ("Luzhou Company" or "the Company") for us to carry out valuation of the machineries and equipment installed in the industrial plants of the Company's five subsidiaries situated in Henan Province, Liaoning Province, Shandong Province, Shaanxi Province and Sichuan Province, the People's Republic of China (the "PRC"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the market value of the machineries and equipment in its existing state as at 30 June 2020 for your internal reference purpose only.

Based on the investigation and analysis stated and on the valuation method employed, the aggregate market value as at 30 June 2020, in our opinion, was reasonably estimated as **RMB332,000,000 (RENMINBI THREE HUNDRED AND THIRTY TWO MILLION ONLY)**.

We must state that this report and valuation are for the exclusive use only of the addressee and for the purpose stated herein.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Registered Professional Surveyor who has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

APPENDIX G – VALUATION REPORTS



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

Content

1.	Instructions	4
2.	Valuation Basis	4
3.	Assumptions and Limiting Conditions	4
4.	Valuation Methodology	5
5.	Selection of Valuation Methodology	6
6.	Information	6
7.	Opinion of Value	7
8.	Confirmation of Independence	7
9.	Executive Summary	8



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

1. Instructions

In accordance with the instructions from Luzhou Bio-Chem Technology Limited (鲁洲生物科技有限公司) (the “Company”) for Cushman & Wakefield Limited (“C&W”) to value the machineries and equipment installed in the industrial plants of the Company’s five subsidiaries (collectively the “Group”) situated in Henan Province, Liaoning Province, Shandong Province, Shaanxi Province and Sichuan Province, the PRC (as more particularly described in the attached valuation report), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such machineries and equipment as at 30 June 2020 (the “valuation date”) for your internal reference purpose only.

2. Valuation Basis

Our valuation of the machineries and equipment represents its market value which, in accordance with the International Valuation Standards 2017 Edition published by the International Valuation Standards Council, is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”

We confirm we have complied with the requirements set out in the International Valuation Standards 2017 Edition published by the International Valuation Standards Council.

Our valuation of the machineries and equipment is on an entirety interest basis and is made based on the highest and best use of the equipment assets.

3. Assumptions and Limiting Conditions

This valuation report has been made with the following general assumptions and limiting conditions.

The machineries and equipment are valued free and clear of any or all liens or encumbrances unless otherwise stated. Title to the machineries and equipment is assumed to be good and marketable unless otherwise indicated.

It is assumed that all of the machineries and equipment included in the valuation are erected at the addresses provided to us. We have relied upon the Company to identify any equipment that is leased or owned by parties related to the valuation.

The information furnished by the Group and others that our valuation is based on is believed to be reliable. However, no warranty is given for its accuracy. Every reasonable attempt has been made to verify such information.



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the valuation report.

The value estimates submitted are based upon the definition of value stated in the body of the report.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of that party and, in any event, only with proper written qualification and only in its entirety.

This valuation report is issued for the use of the Company for incorporation into its Circular. We hereby give, and confirm that we have not withdrawn our consent, to the issue of the Circular with the valuation report and references to our name or summaries of opinions included in the Circular in the form and context in which they respectively appear in the Circular.

4. Valuation Methodology

There are generally three accepted approaches to obtain the market value of the machineries and equipment, namely the market approach, the income approach and the cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

4.1 Market Approach

“A set of procedures in which an appraiser derives a value indication by comparing the personal property being appraised to similar machineries and equipment that have been sold recently, applying appropriate units of comparison, and making adjustments based on the elements of comparison to the sale prices of the comparable.”

4.2 Income Approach

“A set of procedures in which an appraiser derives a value indication for income-producing personal property by converting anticipated benefits into value. This conversion is accomplished either by: (1) capitalizing a single year’s income expectancy or an annual average of several years’ income expectancies at a market derived capitalization rate or capitalization rate that reflects a specified income pattern, return on investment, and change in value of the investment; or (2) discounting the annual cash flows for the holding period and the reversion at a specified yield rate.”

4.3 Cost Approach

“A set of procedures in which an appraiser derives a value indication by estimating the current cost to reproduce or replace the personal property, deducting for all accrued depreciation.”



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

5. Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation, professional judgment and technical expertise. Among the three approaches, we have adopted cost approach and market approach as the primary approach in the valuation of the assets.

For secondary markets where other assets are not active, we use the cost method, using the cost of restoration or replacement, minus depreciation, or accrued depreciation due to status, utility, age, wear, or obsolescence, and consider past and current maintenance and repair policies and transformation experiences.

We have used the above valuation approaches to obtain the market value of these assets, and then deduct the sales and disposal expenses to obtain the recoverable value of these assets.

Due to limitation of relevant and sufficient information, the income approach was not adopted. The income approach was not utilized. This approach gives consideration to income-generating criteria and is very limited in its application to the valuation of machineries and equipment on a piecemeal basis. This is due to the difficulty in determining what portion of the total income and expense stream of a given plant would be attributable to a specific piece of equipment. This type of analysis is outside the scope of this valuation.

6. Information

6.1 Equipment Condition

Due to the COVID-19 outbreak and travel restriction, no site inspections have been arranged for the the machineries and equipment. As advised by the Company, most equipment assets are functioning well. Part of equipment has been marked as idle, abandoned or scrapped in the asset list provided.

We were also informed of the usual maintenance measures, standard operating and maintenance procedures for the equipment assets of "the Company". Specially-assigned personnel regularly maintained the equipment following relevant regulations and kept relevant records.

Based on the information provided by those employees of "the Company ", there are currently no reports of "the equipment assets" showing that there are any technical defects or problems that make them appear to be below normal operating conditions or induce maintenance or replacement needs.

Generally, most of the equipment of " the Company " is normally maintained.

At the time of valuation, we did not verify the ownership or liabilities of these equipment assets. The valuation process did not take into account any arrears arising from any financial agreement.

APPENDIX G – VALUATION REPORTS



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

6.2 Assets Not Included

Our valuation is limited to the equipment assets specified in the schedule. It does not include land, buildings, other land additions, semi-finished and finished products, company records, or other current and intangible assets.

7. Opinion of Value

Based on the investigation and analysis stated and on the valuation method employed, the market value as at 30 June 2020, in our opinion, was reasonably estimated as **RMB332,000,000 (RENMINBI THREE HUNDRED AND THIRTY TWO MILLION ONLY)**.

8. Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the machineries and equipment or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We do not have any shareholding, directly or indirectly, in any member of the Instructing Party. We do not have any direct or indirect interests in the equipment assets. Our valuation is prepared independently without bias to any party concerned.

APPENDIX G – VALUATION REPORTS



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

9. Executive Summary

Asset (Title) Holder: Luzhou Biotechnology (Shandong) Co., Ltd.

Section Name	Book Value				Appraised Value		Increase/Decrease in Value		Increase/Decrease in percentage points	
	Original Value	Net Value	Impairment	Net Amount	Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
Fixed Asset-Equipment	260,685,782	107,503,935	17,143,790	90,360,145	233,685,840	97,351,550	-26,999,942	6,991,405	-10%	8%
Fixed Asset-Vehicle	6,533,828	791,477	-	791,477	1,736,000	1,593,100	-4,797,828	801,623	-73%	101%
Fixed Asset-Electrical Equipment	33,880,079	3,489,253		3,489,253	21,563,980	9,530,870	-12,316,099	6,041,617	-36%	173%
Total Equipment (Assets)	301,099,689	111,784,665	17,143,790	94,640,875	256,985,820	108,475,520	-44,113,869	13,834,645	-15%	15%
In Progress-Equipment Installation		3,125,176		3,125,176		3,010,944		-114,233		-4%
Total		114,909,841	17,143,790	97,766,051		111,486,464		13,720,412		14%

Asset (Title) Holder: Luzhou Biotechnology (Liaoning) Co., Ltd.

Section Name	Book Value				Appraised Value		Increase/Decrease in Value		Increase/Decrease in percentage points	
	Original Value	Net Value	Impairment	Net Amount	Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
Fixed Asset-Equipment	172,542,764	76,322,647	38,150,000	38,172,647	168,669,750	72,349,570	-3,873,014	34,176,923	-2%	90%
Fixed Asset-Vehicle	985,765	117,166		117,166	619,000	362,600	-366,765	245,434	-37%	209%
Fixed Asset-Electrical Equipment	1,761,257	219,973		219,973	1,648,200	471,940	-113,057	251,967	-6%	115%
Total Equipment (Assets)	175,289,786	76,659,786	38,150,000	38,509,786	170,936,950	73,184,110	-4,352,836	34,674,324	-2%	90%
In Progress-Equipment Installation				-				-		
Total		76,659,786	38,150,000	38,509,786		73,184,110		34,674,324		90%

APPENDIX G – VALUATION REPORTS



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

Asset (Title) Holder: Luzhou Biotechnology (Henan) Co., Ltd.

Section Name	Book Value				Appraised Value		Increase/Decrease in Value		Increase/Decrease in percentage points	
	Original Value	Net Value	Impairment	Net Amount	Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
Fixed Asset-Equipment	141,838,103	37,009,114		37,009,114	144,238,640	48,718,290	2,400,537	11,709,176	2%	32%
Fixed Asset-Vehicle	1,122,938	168,034		168,034	905,400	425,100	-217,538	257,067	-19%	153%
Fixed Asset-Electrical Equipment	2,047,357	142,307		142,307	1,829,450	354,010	-217,907	211,704	-11%	149%
Total Equipment (Assets)	145,008,398	37,319,454	-	37,319,454	146,973,490	49,497,400	1,965,092	12,177,946	1%	33%
In Progress-Equipment Installation		272,517		272,517		269,600		-2,917		-1%
Total		37,591,971		37,591,971		49,767,000		12,175,029		32%

Asset (Title) Holder: Luzhou Biotechnology (Shaanxi) Co., Ltd.

Section Name	Book Value				Appraised Value		Increase/Decrease in Value		Increase/Decrease in percentage points	
	Original Value	Net Value	Impairment	Net Amount	Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
Fixed Asset-Equipment	204,523,531	70,610,934		70,610,934	208,940,870	83,828,980	4,417,339	13,218,046	2%	19%
Fixed Asset-Vehicle	1,114,193	427,065		427,065	885,800	671,400	-228,393	244,335	-20%	57%
Fixed Asset-Electrical Equipment	3,208,249	349,066		349,066	3,038,100	713,730	-170,149	364,664	-5%	104%
Total Equipment (Assets)	208,845,973	71,387,065	-	71,387,065	212,864,770	85,214,110	4,018,797	13,827,045	2%	19%
In Progress-Equipment Installation		2,367,883		2,367,883		2,319,983		-47,900		-2%
Total		73,754,948	-	73,754,948		87,534,093		13,779,145		19%

Asset (Title) Holder: Luzhou Biotechnology (Sichuan) Co., Ltd.

Section Name	Book Value				Appraised Value		Increase/Decrease in Value		Increase/Decrease in percentage points	
	Original Value	Net Value	Impairment	Net Amount	Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
Fixed Asset-Equipment	171,008,747	73,909,299	69,935,172	3,974,128	8,726,370	8,726,370	-162,282,377	4,752,242	-95%	120%
Fixed Asset-Vehicle	765,034	195,117		195,117	584,700	314,900	-180,334	119,783	-24%	61%
Fixed Asset-Electrical Equipment	3,839,622	358,567		358,567	3,594,520	776,590	-245,102	418,023	-6%	117%
Total Equipment (Assets)	175,613,403	74,462,984	69,935,172	4,527,812	12,905,590	9,817,860	-162,707,813	5,290,048	-93%	117%
In Progress-Equipment Installation		4,659,161	4,426,203	232,958		233,000		42		0%
Total		79,122,145	74,361,375	4,760,770.40		10,050,860		5,290,090		111%

APPENDIX G – VALUATION REPORTS



Valuation of Machineries and Equipment installed in the industrial plants of
five subsidiaries of Luzhou Bio-Chem Technology Limited in the PRC

Measurement Date
30 June 2020

SUMMARY

Section Name	Book Value				Appraised Value		Increase/Decrease in Value		Increase/Decrease in percentage points	
	Original Value	Net Value	Impairment	Net Amount	Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
Fixed Asset-Equipment	950,598,927	365,355,929	125,228,962	240,126,967	764,261,470	310,974,760	-186,337,457	70,847,793	-20%	30%
Fixed Asset-Vehicle	10,521,758	1,698,859	-	1,698,859	4,730,900	3,367,100	-5,790,858	1,668,241	-55%	98%
Fixed Asset-Electrical Equipment	44,736,564	4,559,166	-	4,559,166	31,674,250	11,847,140	-13,062,314	7,287,974	-29%	160%
Total Equipment (Assets)	1,005,857,249	371,613,953	125,228,962	246,384,992	800,666,620	326,189,000	-205,190,629	79,804,008	-20%	32%
In Progress-Equipment Installation		10,424,737	4,426,203	5,998,534	-	5,833,526	-	-165,008		-3%
Total		382,038,690	129,655,165	252,383,526		332,022,526		79,639,001		32%

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Director

Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Registered Professional Surveyor who has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.