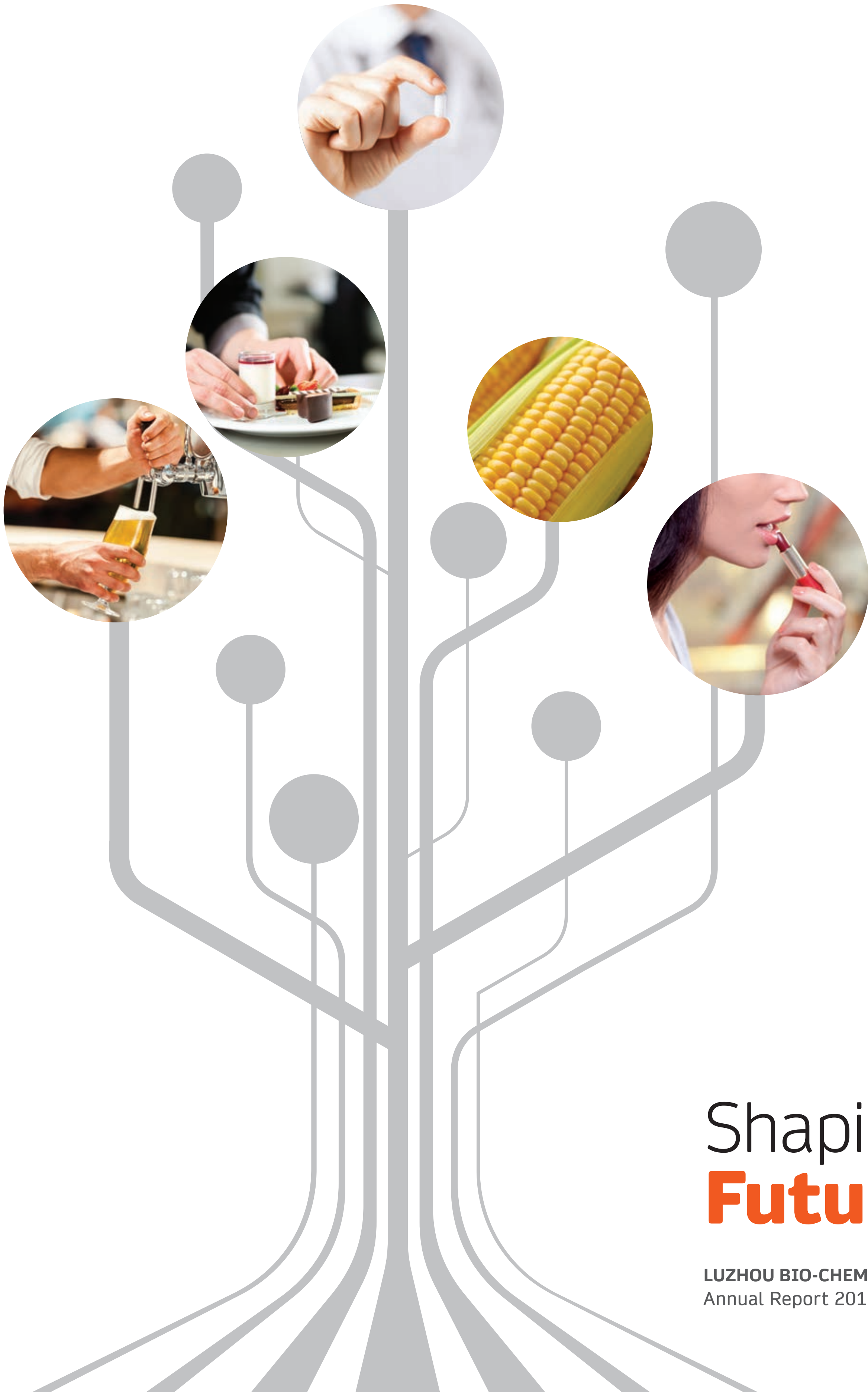


Shaping the **Future**

LUZHOU BIO-CHEM TECHNOLOGY LIMITED
Annual Report 2015

Contents

OVERVIEW

CORPORATE PROFILE

A Track Record of Success

Established in 1988 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in February 2006, Luzhou Bio-chem Technology Limited ("Luzhou") is a leading corn refiner and one of the largest producers of maltose-related products and other corn sweeteners in the People's Republic of China ("PRC").

Large Production Capacity

Luzhou has strategically increased its production capacity by 60% since 2006, and currently maintains a total production capacity of 1,040,000 tonnes per annum through six production facilities in the PRC. These include two production facilities in Yishui, Shandong Province, and one each in Fushun, Liaoning Province, Xingping, Shaanxi Province, Xiping, Henan Province and Pengshan, Sichuan Province. These facilities operate with their own water resources and several also have their own power generating capabilities. With one exception, all of them straddle key corn producing provinces in the PRC to ensure easy access to ample and competitively priced raw materials. Luzhou has also expanded its range of higher value-added products to include sugar alcohol, corn oil, amino acids and high fructose corn syrup 55.

Solid Business Capabilities

Luzhou's competitive edge lies in its capable management, its strong research and product development capabilities, strong corporate branding and, most importantly, good quality corn products. These products are used by its domestic and overseas customers as additives or ingredients in the manufacture of their own products.

Strong Customer Base

Luzhou serves a diverse customer base across multiple industries, among them customers in the food and beverage, fermentation, medical and pharmaceutical sectors. Through higher production capacity and plant utilisation, it is able to assure its customers of reliable and cost effective solutions. Some of its customers include Tsingtao Brewery Co., Ltd (青岛啤酒股份有限公司), Henan Lian Hua Weijing Co., Ltd (河南莲花味精股份有限公司), Coca-Cola China (可口可乐中国公司), Pepsi-Cola China (百事可乐中国公司) and China Resources Snow Breweries Co., Ltd. (华润雪花啤酒 (中国) 有限公司).

Focus

We will gear up our marketing efforts with an unwavering focus on high profit margin products for both existing and new customers. This strategic approach is aimed at improving operating margins and ultimately delivering value to all our shareholders.

& Value

OVERVIEW

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Shareholders

On behalf of the Board of Directors of Luzhou Bio-Chem Technology Limited ("Luzhou" or the "Group"), I present the Group report and financials for the year ended 31 December 2015 (FY2015), and some observations of the business conditions.

EMERGING FROM THE STORM

Luzhou's operating climate in 2015 was more favourable after 2 years of challenging times. Although China is still in the process of an economic restructuring, we were able to turn in a decent performance in FY2015 as domestic policies and pricing worked in our favour. The central government of China introduced measures such as import restrictions with the aim of boosting the domestic cane sugar industry. The resultant increase in cane sugar prices led to stronger demand for corn sweetener products as a cheaper alternative. Furthermore, corn raw material prices dipped at the beginning of the year, and again towards the end of the year, primarily due to the substantial stockpiles made available by the government. The cheap raw materials enabled us to achieve better profit margins in FY2015.

Furthermore, having employed a defensive stance to tide us through the highly challenging industry conditions, the strategy has begun to pay off. Following the shaking up of the competitive landscape, we have emerged in a better position to take advantage of opportunities available due to our focus on higher-value products and improving our processes. Our operations have become more efficient, we have improved our cost management, and we are in a better financial position with lower gearing.

CREDITABLE FINANCIAL PERFORMANCE

Steady demand for Luzhou's corn refining products was the main driver for the improvement in our financial performance. Group revenue increased by 17.2% from RMB 2.1 billion in FY2014 to RMB 2.4 billion in FY2015. Our administrative expenses saw a significant decrease of RMB 44.1 million, mainly due to lower depreciation and manufacturing overhead charges, as well as a decrease in staff costs and travelling/entertainment expenses. Other operating expenses also decreased by RMB 151.9 million in the absence of the impairment of property, plant and equipment recorded in FY2014. These factors contributed to a net profit of RMB 28.4 million in FY2015, a creditable turnaround from the net loss of RMB 339.8 million in FY2014.

"Steady demand for Luzhou's corn refining products was the main driver for the improvement in our financial performance. Group revenue increased by 17.2% to RMB 2.4 billion in FY2015."

Niu Ji Xing

Executive Chairman and Chief Executive Officer

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Earnings per share for FY2015 was 6.3 RMB cents, compared to a loss per share of 85.8 RMB cents in FY2014. As at 31 December 2015, the Group's net asset value per share was 21.3 RMB cents, and cash and cash equivalents stood at RMB 166.9 million, compared to 18.2 RMB cents and RMB 54.6 million as at 31 December 2014 respectively. The 1-for-2 rights issue completed in September 2015 resulted in net proceeds of RMB 25.9 million, which were used for the repayment of borrowings and general working capital purposes. Together with the retained earnings for FY2015, this has boosted our shareholders' equity and resulted in a significant lowering of the Group's debt-to-equity ratio, from 11.0 times as at 31 December 2014, to 6.5 times as at 31 December 2015.

In view of the profitable year we have had, the Board of Directors is pleased to recommend a first and final dividend of S$0.002 per share.

SHAPING OUR FUTURE PATH

We have observed increasing levels of uncertainty in the Chinese domestic market. The slowdown in the economy has taken its effect on many industries, and this has a knock-on effect on the level of consumer demand for the items which utilise our corn products. Nevertheless, our business has benefitted from favourable government policies on corn and sugar, and as long as there are no drastic changes, it should provide a stable base for our earnings.

At the same time, our standards of quality and footprint of six production facilities ensures our position as a reliable partner for our customers, which include leading international and domestic brand names such as Coca-Cola China, Pepsi-Cola China, and Tsingtao Brewery Co., Ltd, among others. We are confident in being able to continue leveraging our track record and the customer relationships we have built over the years.

CORPORATE DEVELOPMENTS

In June 2015, we announced that the Group would be required to relocate from our premises at Shandong, being the facilities for one of our wholly-owned subsidiaries as well as the Group's corporate headquarters. The request was made by the local government. The new location will still be in Shandong, in an Economic Development Zone located in the same county as the current premises.

With effect from 3 March 2016, Luzhou was placed on the watch-list by the Singapore Exchange Securities Trading Limited, in line with the new minimum trading price regulation. However, shareholders should rest assured that we are discussing this issue with our corporate advisors, and will provide updates when we have decided on the appropriate course of action.

APPRECIATION

Despite the challenges we face, I am confident that the steps we have taken to bring us to this point will put us in good stead for the future. We will continue to evolve and shape ourselves to meet the changing environment.

On behalf of the Board of Directors, I would like to thank our customers, staff, and all the stakeholders who have contributed to our success this year, including our loyal shareholders. We aim to deliver another year of stable returns.

Niu Ji Xing
Executive Chairman and CEO

执行主席兼首席执行官致辞

尊敬的各位股东

我谨代表鲁洲生物科技有限公司(简称"鲁洲"或"集团")董事会呈递集团2015财年财务报表和报告，以及经营环境观察。

走出经济风暴危机

在经历两年困境后，2015年经营环境对鲁洲较为有利。虽然中国经济依然处于调整期，但是我们2015年取得了相当好的业绩，国内经济政策和价格都对我们有利。中国政府为了推动国内蔗糖行业发展采取了一些措施，比如限制蔗糖进口，这导致蔗糖价格上涨，进而使具有价格优势的蔗糖替代品玉米淀粉糖产品的市场需求相对坚挺。此外，主原材料玉米的价格在年初和临近年末下降，这主要归因于政府的可用玉米库存巨大。相对低廉的原材料价格成就了鲁洲2015年较好的利润率。

此外，采取防守策略，使我们最终渡过了极度困难的行业环境并取得成功。随着竞争格局重组，以及我们在高附加值产品和工艺流程改造方面的重视和努力，使我们逐渐处于可以充分利用市场机会的有利位置。我们的经营越来越有效率，改善了成本管理，财务状况更加健康，财务杠杆下降。

值得称赞的财务业绩

鲁洲玉米深加工产品市场需求的稳定是财务业绩提高的主要驱动因素。集团销售收入从2014年的人民币21亿元增加到2015年人民币24亿元，增加了17.2%。管理费用大幅减少人民币44.1百万元，这主要归因于折旧费和其它制造费用减少，以及员工成本和差旅费、招待费的减少。其他业务支出比去年同期减少人民币151.9百万元，这主要归因于2014年计提了固定资产减值损失而在2015年没有计提。这些因素综合促成了2015年净盈利人民币28.4百万元，而2014年净亏损人民币339.8百万元，此次扭亏为盈值得称赞。

2015年每股收益人民币6.3分，而2014年是每股亏损人民币85.8分。截至2015年12月31日，集团每股净资产价值为人民币21.3分，现金及现金等价物为人民币166.9百万元；在2014年12月31日这两个数字分别为人民币18.2分和人民币54.6百万元。在2015年9月份实施配股，2股配1股，取得净收入人民币25.9百万元，用于偿还借款和普通营运资本。配股净收入加上2015年新增的留存利润，使我们的股东权益增加，负债/股权比率显著下降，从2014年12月31日的11.0倍下降到2015年12月31日的6.5倍。

考虑到2015年盈利，董事会很高兴地提议按0.002新元/股向股东发放一次性最终股息。

为未来铺路

我们发现中国国内市场越来越不稳定。经济减速已经影响了很多行业，也影响了玉米制品的客户需求量。但是我们的经营业务从玉米和蔗糖的政府政策中受益颇多，这些政策只要不发生剧烈变化，将会是我们创造利润的坚固基础。

同时，我们的产品质量标准和六家工厂的区域分布确立了我们作为客户可靠的、可信赖的合伙人的地位，这客户涉及主要的国内外品牌，比如中国可口可乐、中国百事可乐和青岛啤酒有限公司等等。我们相信能够继续保持业绩记录、维护好过去建立的客户关系。

公司发展

在2015年6月，我们公告，集团必须将其位于山东的全资子公司和公司总部搬离现在的经营地址，这是当地政府的要求。新的经营地址仍在山东，是当前经营地址所在县的一个经济开发区。

从2016年3月3日起，根据新实行的最小交易股价规定，鲁洲被新加坡证券交易所有限公司列入重点观察名单。不过，请股东们放心，我们正在与公司顾问商讨此问题的应对办法，一旦我们商定了合适的应对方案，将会告知各位股东。

感谢语

尽管眼前依然充满挑战和困难，但是我坚信我们所走的每一步对鲁洲未来发展都是有利的。我们会不断自我改进和发展以适应不断变化的环境。

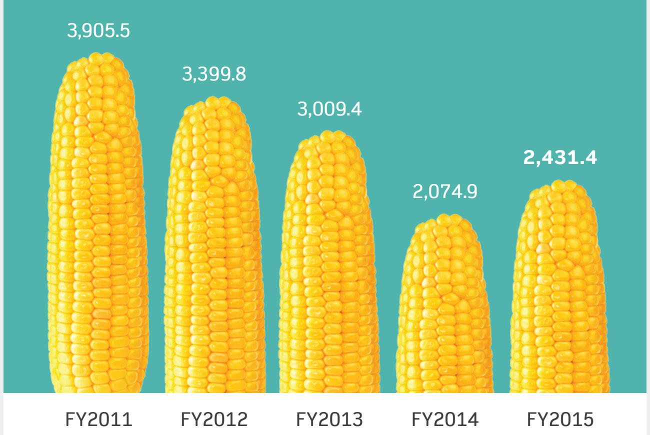
在此，我谨代表董事会，感谢我们的客户、全体员工和所有股东为我们今年的成功所做的贡献和努力。我们来年的目标是为股东们创造一份稳定的收益。

牛继星
执行主席兼CEO

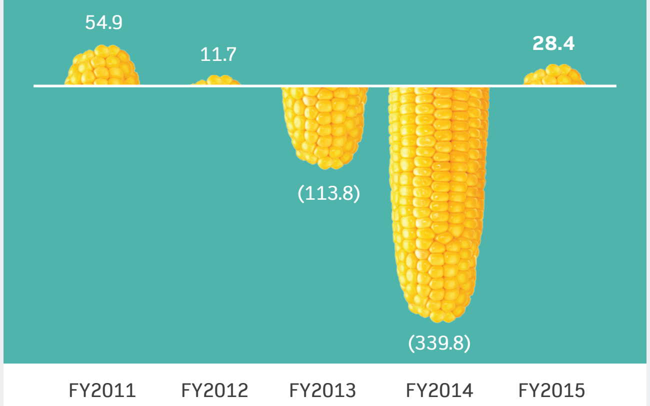
FINANCIAL HIGHLIGHTS

	2011 RMB million	2012 RMB million	2013 RMB million	2014 RMB million	**2015 RMB million**
Revenue	3,905.5	3,399.8	3,009.4	2,074.9	**2,431.4**
Profit/(Loss) Before Interests, Tax, Depreciation and Amortisation (“EBITDA”)	200.6	165.0	48.6	(52.7)	**176.4**
Net Profit/(Loss) Before Tax	61.5	24.4	(110.6)	(339.8)	**36.0**
Net Profit/(Loss) After Tax and Non-controlling Interests (“PATNCI”)	54.9	11.7	(113.8)	(339.8)	**28.4**
Net Profit/(Loss) Margin(%)	1.3	0.4	(3.8)	(16.4)	**1.2**
Revenue by Operating Segments (%)					
– Corn Refining	89.1	89.0	87.0	89.6	**94.6**
– Animal Feed	9.5	9.5	12.0	9.9	**5.2**
– Others	1.4	1.5	1.0	0.5	**0.2**
	100.0	100.0	100.0	100.0	**100.0**
Revenue by Geographical Segments (%)					
– PRC	93.2	94.4	95.0	95.1	**97.5**
– Other Countries	6.8	5.6	5.0	4.9	**2.5**
	100.0	100.0	100.0	100.0	**100.0**
At Year End					
Net Current Assets	18.7	68.0	63.1	(48.4)	**30.6**
Total Assets	1,832.7	1,778.9	1,571.4	1,240.8	**1,285.0**
Total Equity	553.9	535.5	412.0	72.2	**126.5**
Total Liabilities	1,278.7	1,243.4	1,159.4	1,168.6	**1,158.4**
Cash and Cash Equivalents	103.1	119.5	66.7	54.6	**166.9**
Per Share (RMB cents)					
Earnings/(Loss) per Share	13.9	3.0	(28.7)	(85.8)	**6.3**
Net Tangible Assets per Ordinary Share	132.5	135.2	104.0	18.2	**21.3**
Dividend per Share (SGD)	-	0.005	-	-	**0.002**
Returns (%)					
Return on Revenue	1.3	0.4	(3.8)	(16.4)	**1.2**
Return on Shareholders’ Equity	9.1	2.7	(27.6)	(470.5)	**22.4**
Return on Total Assets	2.8	0.8	(7.2)	(27.4)	**2.2**
Ratios					
– Inventory Turnover	30	37	37	47	**37**
– Trade Receivables	16	24	27	33	**27**
– Trade Payables	32	35	32	40	**36**
– Debt to Equity Ratio (Times)	1.04	1.33	1.87	10.96	**6.54**

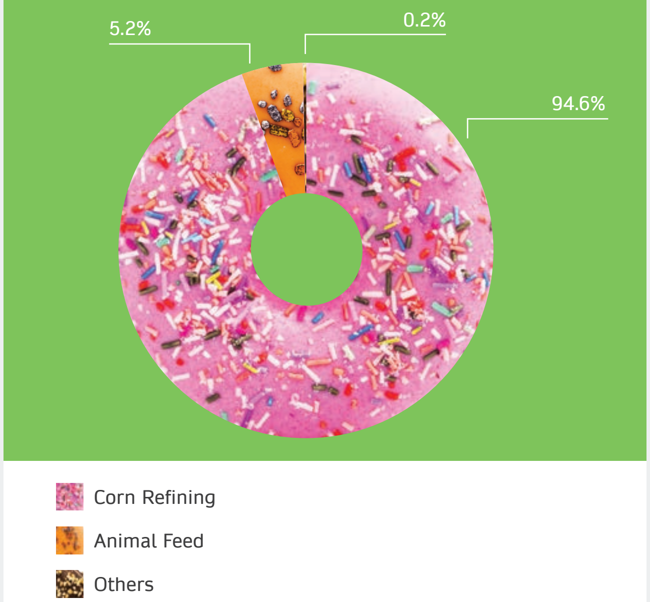
**Revenue
(RMB million)**



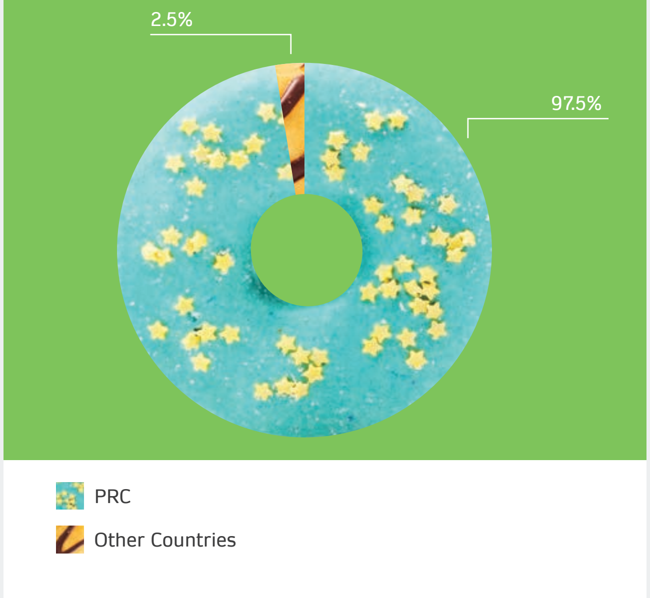
**Net Profit/(Loss) After Tax And
Non-Controlling Interests ("PATNCI")
(RMB million)**



**Revenue by Operating Segments
(%)**



**Revenue by Geographical Segments
(%)**



Quality

We have never adhered to the notion of simply relying on existing solutions. We are of the mindset that quality is borne out of innovation. As such, we continually strive to find new and innovative ways of solving challenges and enhancing the quality of our products and services.

& Innovation

BUSINESS REVIEW

OPERATIONS REVIEW


1

1. Maltose production line in our Liaoning plant
2. Liaoning plant office building

2

Luzhou's conservative strategy with a long-term view has enabled the Group to ride out tumultuous market conditions. In FY2015 we reaped the benefits of the prudent measures implemented in FY2013 and FY2014 to scale down and streamline production. With a more favourable operating environment created by government policies, FY2015 saw an uptick in factory output. The Group was also able to take advantage of its advantageous market position, having come out stronger than the competitors who were engaging in destructive price wars. Sales volume for the corn refining segment, which forms the bulk of Group revenue and includes key products such as corn sweeteners, corn starch, and by-products, increased from 765K tonnes in FY2014 to 983K tonnes in FY2015. This resulted in significantly higher Group revenue despite a 5.5% decline in the weighted average selling price of corn refining products in FY2015.

OPERATIONS REVIEW

Utilisation rates increased across the board at the Group's plants, resulting in a full year overall capacity utilisation rate of 68.9%, a significant increase from 53.2% in FY2014, though still lower than the long term average of 74.4% (taking data from FY2006-2015). Combined with improved efficiency in production, and an approximate 10% decrease in corn prices year-on-year, this enabled us to achieve a gross profit margin of 10.8% in FY2015, compared to 4.5% in FY2014.

The breakdown of Group revenue by industry remained largely the same in FY2015 as compared to FY2014. The food industry took up the biggest share at 33.7%, followed by beverage at 19.9%, and fermentation at 14.9%. The remainder was made up by food chemicals, animal feed, paper industry, and miscellaneous.

On the macroeconomic front, challenges still loom on the horizon as business sentiment is increasingly fragile and volatile. We will continue monitoring the situation and pressing on with business development activities, while also striving to maintain or improve internal cost management where possible.

1

As disclosed in June 2015, the local government has requested for the Group to relocate its manufacturing facilities in Shandong. The current location also houses the corporate office, warehousing, and research and development facilities. The new premises will be in an Economic Development Zone in the same county, and the Group will incur some relocation costs but also expects to receive compensation from the government. The Group will announce further updates on the relocation in due course.

1. Liaoning plant full view
2. The liquefaction process of Fructose production line

FINANCIAL REVIEW

REVENUE

For the financial year ended 31 December 2015, Luzhou Bio-Chem reported year-on-year revenue growth of 17.2%, from RMB 2.1 billion to RMB 2.4 billion. This was mainly due to a significant increase in the sales volume for the Group's corn refining segment. Total sales volume for this segment increased 28.5% year-on-year, from 765K tonnes to 983K tonnes. In terms of product lines, the increases in sales volume of corn sweeteners, corn starch, and by-products were approximately 27.4%, 6.7%, and 32.5% respectively.

The weighted average selling price of corn refining products actually declined by 5.5% in FY2015. The decline was most pronounced in the price of by-products, which decreased by about 15.7%; the prices of corn sweeteners and corn starch decreased by 2.1% and 2.6% respectively.

Export revenue in FY2015 decreased by 39.3% from FY2014, making up 2.5% of total FY2015 revenue, compared to 4.9% in FY2014.

GROSS PROFIT

The Group's gross profit for FY2015 was RMB 263.5 million, a year-on-year increase of 183.2%. Gross profit margins in FY2015 were boosted by lower corn prices, which decreased by 10.0% compared to FY2014, and higher capacity utilisation rates. The Group's overall gross profit margin was 10.8%, compared to 4.5% in FY2014. Gross profit margins for the corn refining segment, the main contributor to Group revenue, were 11.4% in FY2015, compared to 5.0% in FY2014. The 'Others' category delivered a gross profit of RMB 1.2 million with margins of 21.4% in FY2015, compared to RMB 0.3 million gross profit with 2.5% margin in FY2014. This was mainly due to higher gross profit from the Hongzhou subsidiary, and a smaller loss for amino acids.

OPERATING EXPENSES

The Group implemented cost saving measures to ride out the challenging times, and the effects are visible in the reduction of expenses in FY2015.

Selling and distribution expenses decreased by 2.2% from RMB 109.5 million to RMB 107.1 million, mainly due to decreases in staff costs, rental expenses, travel expenses, and depreciation costs, partially offset by increases in transportation costs in line with increased sales volume.

Production halts of certain products at the Group's Shandong and Liaoning subsidiaries led to the reclassification of manufacturing overheads as operating expenses, resulting in a decrease in depreciation costs on plant and equipment. This was the main reason for the 31.3% decrease in administrative expenses, from RMB 140.8 million in FY2014 to RMB 96.7 million in FY2015. A reduction in staff costs, travelling expenses and entertainment expenses also contributed to the decline.

Other operating expenses were RMB 2.1 million in FY2015, reduced from RMB 154.0 million in FY2014. This was mainly due to the impairment of property, plant and equipment recorded in FY2014 of approximately RMB 137.5 million, as well as a decreases in losses on disposal of plant and equipment, allowance for slow moving inventories, and product quality compensations.

Interest expenses increased by RMB 2.2 million, resulting in a 3.9% increase in the Group's finance costs. This was due to an increase in the Group's borrowings, partially offset by lower bank loan interest rates.

The Group recorded higher income tax expenses in FY2015 due to net profit generated from the Shaanxi and Henan subsidiaries. The effective tax rate in FY2015 was higher than the statutory tax rate, as certain loss-making subsidiaries did not recognise deferred tax assets due to the uncertainty of future taxable profits.

NET INCOME

Luzhou recorded a net profit of RMB 28.4 million in FY2015, compared to a net loss of RMB 339.8 million in FY2014. The improved performance was mainly attributable to the increased sales volume of corn refining products, better margins due to favourable raw material pricing and higher capacity utilisation, and lower operating costs.

ASSETS AND LIABILITIES

The Group's current assets increased by RMB 89.2 million to RMB 591.2 million as at 31 December 2015, mainly due to an increase in cash and cash equivalents, trade receivables, other receivables, deposits and prepayments, offset by a decrease in inventories.

Trade receivable turnover days decreased from 33 days in FY2014 to 27 days in FY2015, and inventory turnover days were also lower, at 37 days in FY2015 compared to 47 days in FY2014.

Non-current assets decreased by RMB 45.1 million, mainly due to depreciation charges which were partially offset by capital expenditure for the upgrading and construction of plant and equipment, and disposals.

Current liabilities increased by RMB 10.1 million to RMB 560.6 million as at 31 December 2015, mainly due to an increase in short-term loans and borrowings, and an increase in income tax payable, partially offset by decreases in trade payables, other payables and accruals. Trade payable turnover days was lower at 36 days, compared to 40 days in FY2014.

The Group's debt equity ratio stood at 6.54 times as at 31 December 2015, compared to 10.96 times as at 31 December 2014. This was due to an increase in total equity arising from a rights issue in FY2015, as well as net profit generated during the year, partially offset by the increase in borrowings.

Non-current liabilities decreased by RMB 20.3 million to RMB 597.9 million due to the repayment of an interest-free loan from a director, a decrease in long-term loans, and decrease in deferred income.

CASH FLOW

The Group had a net operating cash inflow of RMB 150.1 million in FY2015, comprising RMB 163.4 million operating profit before changes in working capital, adjusted for RMB 9.4 million changes in working capital and RMB 4.0 million income taxes paid.

Net cash used in investing activities amounted to RMB 30.5 million in FY2015, mainly for the purchase and construction of plant and equipment for the Group's Henan and Shandong subsidiaries, and the purchase of containers for finished products. These were partially mitigated by cash inflows from the disposal of plant and equipment, and interest income.

The Group used net cash of RMB 88.3 million for financing activities in FY2015, mainly for the payment of RMB 60.2 million in interest expenses, repayment of RMB 9.0 million interest-free loan from a director, and a RMB 81.0 million net increase in pledged cash deposits. These were partially offset by the net increase in bank loans amounting to RMB 36.0 million, used to finance working capital needs, and RMB 25.9 million net proceeds from the rights issue.

Research

& Development

Technology-driven products based on cutting edge research and development enhance the consumer experience. It's a simple fact of life. Through our advanced research and development initiatives, we are able to operate not just more efficiently but also enliven the consumer experience.

BUSINESS REVIEW

GROUP STRUCTURE

* The paid up share capital of Luzhou Bio-chem Technology (Sichuan) Co., Ltd. is RMB 96.0 million, of which the Company holds 37.2% (RMB 35.7 million) and Luzhou Bio-chem Technology (Shandong) Co., Ltd. holds 62.8% (RMB 60.3 million).

BOARD OF DIRECTORS

Niu Ji Xing is our Founder and Executive Chairman & Group Chief Executive Officer. He is responsible for formulating the business strategies and investments of our Group, as well as for its overall management. Mr Niu has many years of experience in the corn refining industry in PRC. Prior to joining our Group, he was the Chairman of the Board of the Shandong Luzhou Food Group of China, which comprises a group of enterprises including Shandong Luzhou, Liaoning Luzhou, Shaanxi Luzhou and Hunan Taoyuan. He obtained a certificate in Economic Management (经济管理专业) from the Shandong Economic Management Institute (山东经济管理干部学院) in July 1996. He is presently one of the Vice Presidents of the China Food Industry Association (中国食品工业协会), Vice Chairman of the Council of China Food Industry Association (sweeteners) (中国食品工业协会糖果专业委员会理事会) and a member of the National Food Industry Entrepreneurs' Council (全国食品工业企业家委员会).

Wang De You is our Executive Director. He is responsible for Group's production technology, research and development and project investment. Before assuming the current position, he was our Executive Director and Group Chief Executive Officer from 2012 till March 2015. Mr Wang has more than 20 years of experience in the food processing and manufacturing industry and was formerly an assistant general manager at Shandong Luzhou before joining our Group. Mr Wang was a deputy general manager at Shandong Luzhou Food Product Factory from 1999 to 2002, a production manager at Shandong Yishui Luzhou Food Product Factory from 1993 to 1999, a production manager at Shandong Yishui Jixing Confectionery Factory from 1990 to 1993 and an assistant factory manager at Shandong Linqu Dairy Product Factory from 1987 to 1990.

Mr Wang obtained a certificate in Food Processing and Manufacturing (发酵工程专业) studies from Shandong University (山东大学) in July 1996, and was accredited as a senior engineer by Light Industry Engineering and Technical Position Advance Accreditation Committee of Shandong Province (山东省轻工工程技术职务高级评审委员会) in April 2010. In 2011, he was conferred the Middle-aged and Young Experts Award by the People's Government of Shandong Province. He was also engaged as a part time lecturer in the Master research programme by China University of Mining and Technology. He is currently the Vice Chairman of China Biotech Fermentation Industry Association, and a member of the Executive Council of China Starch Industry Association.

Gao Zhong Fa is our Executive Director. Mr Gao is primarily responsible for overseeing and managing Group matters in relation to the local government. He has more than 20 years of experience in the food industry, particularly in the operations of food product factories. Prior to joining our Group, he had joined Shandong Luzhou in May 2002 as the general manager and was also previously a general manager at Shandong Luzhou Food Product Pte. Ltd. from 2001 to 2002. From 1993 to 2000, he was factory operations manager at Shandong Yishui Luzhou Food Product Pte. Ltd. and prior to that, the factory operations manager at Shandong Yishui Jixing Confectionery Factory from 1988 to 1993, and the operations manager at Shandong Shouguang Gaojia Food Product Pte. Ltd. from 1985 to 1988.

Mr Gao obtained a certificate in Economic Management (经济管理专业) studies from the Shandong Economic Management Institute (山东经济管理干部学院) in July 1996. He is also a Representative of Municipal People's Congress of the Linyi city in Shandong province and is recognized as a contributor to the National Food Product Advanced Management of Science and Technology (全国食品工业技术先进技术管理工作者).

Teoh Teik Kee is our Lead Independent Director and is a Chartered Accountant by training, and has worked with KPMG Peat Marwick McLintock in London and PricewaterhouseCoopers in Singapore. From November 2004 to 2010, he was the Executive Director of ecoWise Holdings Limited. He also has extensive experience in investment banking and stock broking when he was with the DBS Group from 1993 to 2001.

Mr Teoh graduated from Aston University, Birmingham, United Kingdom with a Bachelor of Science (Honours) degree in Managerial and Administrative Studies, and is a member of The Institute of Chartered Accountants in England and Wales. He also has a Diploma in Corporate Treasury Management awarded by the Association of Corporate Treasurers in the United Kingdom.

He also serves on the board of Hong Kong listed company, City e-Solutions Ltd as well as Hwang Capital (Malaysia) Berhad, a public listed company in Malaysia.

Kong Xiang Chao is our Independent Director. He was an accountant in Jiangsu Province Xuzhou City Commerce Bureau from 1964 to 1970, the Technical Director and subsequently the factory head of Jiangsu Province Xuzhou City Commercial Mechanical Factory from 1970 to 1991, the general manager of the Jiangsu Province Xuzhou City Blackcat Foodstuff Group from 1991 to 1998 and a researcher in Jiangsu Province Wantong Production Group from 1998, before he retired in 2004.

Mr Kong has a professional mechanical production certificate (机械制造工艺与设备专业) from the Jiangsu Mechanical Studies College (江苏省机械职工大学), which he obtained in 1984. He received an engineering qualification (工程师) from the Xuzhou Engineering Series Intermediate Post Accreditation Committee (徐州市工程系列中级职称评审委员会) in 1988, and a professional senior economist certificate (高级经济师) from the Jiangsu Senior Economist Board Accreditation Committee (江苏省经济专业高级职称评审委员会) in 1994. Mr Kong was appointed Deputy Secretary-General of the Candy Committee of the China Food Industry Association (中国食品工业协会) in 2000.

Ong Wei Jin is our Independent Director, and is presently practising as a lawyer in Singapore. His main areas of practice are corporate finance and general corporate law. He obtained a Bachelor of Law (Honours) from the National University of Singapore, a MBA (Investment and Banking) from the University of Hull and a Masters of Law from the National University of Singapore.

He is currently an independent director of China XLX Fertiliser Ltd, CFM Holdings Ltd and Jacks International Limited.

SENIOR MANAGEMENT

Zhang Ke
Group Deputy General Manager

Li Na
Group Senior Finance Manager

Niu Ji Chao
General Manager

Koh Pee Keat
Director of Finance

Zhao Yu Bin
Manager, R&D

Zhang Ke is our Group Deputy General Manager, and is primarily responsible for the planning of business process system, and the management of internet and information technology functions of our Group. He started his career with Shandong Luzhou in April 1997 as a sales supervisor and became a sales manager in 1999. From 2000 to 2004, he was the Deputy General Manager of Shandong Luzhou, before being promoted to General Manager of Hunan Taoyuan. In 2005, he was appointed the General Manager of Luzhou Bio-chem Technology (Shaanxi) Co., Ltd.. Before assuming the current position, he was the General Manager of our Group's Animal Feed Branch Office.

He graduated with a degree in economics from Shandong Economic College in 1996.

Li Na is our Group Senior Finance Manager and is currently responsible for the accounting, reporting, financing and other financial functions of our Group. Ms Li joined Shandong Luzhou Food Group Co. Ltd. in August 1999 as an accountant and was subsequently promoted to the position of finance manager in May 2002. She joined our Group in 2005 following the restructuring exercise undertaken in connection with our Company's initial public offering. Ms Li participated in the successful implementation of the SAP accounting system by our Group. Ms Li holds a diploma in accountancy, and received CTAC (China Tax Accountant) professional qualification certificate.

Niu Ji Chao is the General Manager of our Luzhou bio-chem technology (Shandong) Co. Ltd. (the "Luzhou Shandong") responsible for the overall management of Luzhou Shandong's business and operations. Mr Niu has been involved in engineering works since 1998 as an assistant chief engineer at Shandong Luzhou Food Product Pte Ltd. He was later appointed the chief engineer and production and technical centre manager at Shandong Luzhou from 2002 to 2003. Prior to joining our Group in 2005, he had been the deputy general manager and chief engineer of Shandong Luzhou from February 2003. Before assuming the current position, he was the Goup's Chief Engineer and then the General Manager of our Production Department.

Prior to 1998, Mr Niu was working as a supervisor of the starch department at Shandong Yishui Luzhou Food Product Factory and an assistant production head of the factory at Liaoning Luzhou. He started his career in Shandong Yishui Luzhou Food Product Factory in September 1993. In July 1996, he obtained his certificate in Food Processing and Manufacturing from Shandong University.

Koh Pee Keat joined our Group as Director of Finance and he is assisting our Group Senior Finance Manager in overseeing the finance matters and corporate finance function of the Group. He has over 17 years of banking experience in DBS Bank in the area of trade finance, international banking, individual banking and enterprise banking. He has worked in DBS New York Agency for about four years in management position. He was the senior vice president of Bexcom Pte Ltd, Singapore, an e-commerce software provider, overseeing its operation, finance and legal matters. Prior to joining our Group, he was the senior vice president/Chief Finance Officer of Westcomb Financial Group Limited overseeing its Group's finance function and operation. Mr Koh holds a Bachelor of Arts (Honours) degree with major in Accounting and Financial Management from the University of Sheffield.

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

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

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

Teoh Teik Kee (Chairman)
Kong Xiang Chao
Ong Wei Jin

Remuneration Committee

Teoh Teik Kee (Chairman)
Kong Xiang Chao
Ong Wei Jin

Nominating Committee

Ong Wei Jin (Chairman)
Niu Ji Xing
Teoh Teik Kee

Company Secretary

Vincent Lim Bock Hui, LLB (Hons)

Registered Office

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

Singapore Office

8 Burn Road
#07-09
Trivex
Singapore 369977
Tel: (65) 6225 0148
Fax: (65) 6225 1147

Head Office and Principal Place of Business

No. 18 Luzhou Road Yishui
Shandong Province 276400
People's Republic of China

Share Registrar and Share Transfer Office

RHT Corporate Advisory Pte. Ltd.
Six Battery Road #10-01
Singapore 049909

Auditors

Mazars LLP
135 Cecil Street #10-01
MYP Plaza
Singapore 069536
Partner in charge: Mr Tan Chee Tyan
(Appointed with effect from financial year 2015)

Legal Advisor

Vincent Lim & Associates LLC
18 Cross Street
#07-11 China Square Central
Singapore 048423

Principal Bankers

China Construction Bank Corporation
Agricultural Development Bank of China
Agricultural Bank of China
Bank of China
Industrial and Commercial Bank of China
Rural Credit Cooperative of China

Investor Relations Contact

NRA Capital Pte. Ltd.
133 Cecil Street #04-02
Keck Seng Tower
Singapore 069535
Tel: (65) 6236 6895

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of Luzhou Bio-chem Technology Limited (the "**Company**", and together with its subsidiaries, the "**Group**") recognises that adherence to the guidelines recommended by the Singapore Code of Corporate Governance 2012 (the "**Code**") would establish good corporate governance practices and offer a high standard of accountability to the shareholders of the Company.

This report sets out the corporate governance practices adopted by the Company with specific reference to the principles of the Code, as well as any deviation from any guideline of the Code together with an explanation for such deviation.

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2015 ("**FY2015**"), the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises six directors, which include three executive directors and three independent directors, all of whom are from different disciplines and bring with them diversity of experience which will enable them to contribute effectively to the Company.

In addition to its statutory responsibilities, the principal functions of the Board include:

- reviewing and overseeing the management of the Group's business affairs and financial controls, performance and resource allocation;
- approving matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations;
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets; and
- approving the release of the Group's quarterly and full-year financial results and related party transactions of a material nature.

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company.

The Board has established three Board committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") to assist in the execution of its responsibilities. These committees operate within clearly defined terms of reference.

The Board meets on a regular basis and ad-hoc Board meetings are convened as and when circumstances require. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing. The Company's Articles of Association provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

CORPORATE GOVERNANCE REPORT

The number of meetings held and attendance at the meetings during FY2015 are as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of director	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Niu Ji Xing	4	4	-	-	-	-	1	1
Wang De You	4	4	-	-	-	-	-	-
Gao Zhong Fa	4	4	-	-	-	-	-	-
Kong Xiang Chao	4	4	4	4	1	1	-	-
Teoh Teik Kee	4	4	4	4	1	1	1	1
Ong Wei Jin	4	3	4	3	1	1	1	1

All directors are given the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. Newly appointed directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. All directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars is arranged and funded by the Company. The external auditors update the directors on the new or revised financial reporting standards on an annual basis.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board comprises the following directors:

<u>Executive Directors</u>

Niu Ji Xing	Executive Chairman and Chief Executive Officer
Wang De You	Executive Director
Gao Zhong Fa	Executive Director

<u>Non-Executive Directors</u>

Teoh Teik Kee	Lead Independent Director
Kong Xiang Chao	Independent Director
Ong Wei Jin	Independent Director

The independent directors make up half of the Board as the Chairman is part of the management team and not an independent director. The Board has adopted the Code's criteria of an independent director in its review. An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment with a view to the best interests of the company. The independence of each independent director is reviewed annually by the NC and the Board. Each independent director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of any director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. The Board observes that the independent directors who have served on the Board for more than nine years have been exercising independent judgement in the best interests of the Company in the discharge of their duties and should be deemed independent. The Board recognises the contribution of the independent directors who have over time developed a good understanding of the Group's business and operations and who are therefore able to provide invaluable contributions to the Board as a whole. As such, the Board has decided to retain the services of each independent director instead of losing the benefit of his contribution.

The Board has examined its size and is of the view that it is appropriate for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business.

The current composition of the Board and the Board committees includes a diverse breadth of industry expertise, knowledge and experience in areas such as accounting, finance, legal, strategic planning and business management. This enables the Management to benefit from the external and expert perspectives of the directors who collectively possess the core competencies relevant to the direction and growth of the Group.

The independent directors communicate regularly to discuss matters related to the Group, including the performance of the Management. They also provide constructive input in developing the Group's business strategies.

The profiles of the directors are set out in the "Board of Directors" section of this Annual Report.

Chairman and Chief Executive Officer
Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Niu Ji Xing is the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company and bears executive responsibility for the Group's business performance and promoting high standards of corporate governance. He is also responsible for scheduling meetings to be conducted as and when required, setting the agenda for the Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders.

The positions of Chairman and CEO are not held by separate individuals as the Board is of the view that with the current executive management team and the establishment of the three Board committees, there are adequate safeguards in place to ensure unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

In view that the Executive Chairman is not an independent director and is part of the executive management team, Mr Teoh Teik Kee had been appointed as the lead independent director and he is available to shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman and CEO has failed to resolve or is inappropriate. Led by the lead independent director, the independent directors meet without the presence of the other directors, if deemed necessary, and the lead independent director provides feedback to the Executive Chairman and CEO after such meetings.

Board Membership
Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following members:

Ong Wei Jin (Chairman)
Teoh Teik Kee
Niu Ji Xing

Mr Ong Wei Jin is an independent director and Mr Teoh Teik Kee is the lead independent director.

CORPORATE GOVERNANCE REPORT

The terms of reference of the NC have been approved and adopted. The duties and powers of the NC include:

- making recommendations to the Board on relevant matters relating to the review of board succession plans for directors, in particular, the Chairman and for the CEO, the development of a process for evaluation of the performance of the Board, the Board committees and directors, and the review of training and professional development programmes for the Board;
- making recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable), taking into consideration the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (such as attendance, preparedness, participation and candour);
- ensuring that all directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years;
- determining annually, and as and when circumstances require, whether a director (including an alternate director) is independent, bearing in mind paragraph 2.3 of the Code and any other salient factors;
- deciding if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments; and
- assessing the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual director to the effectiveness of the Board.

All directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Article 107 of the Company's Articles of Association requires one-third of the directors to retire and submit themselves for re-election by shareholders at each annual general meeting ("**AGM**"). In addition, Article 117 of the Company's Articles of Association provides that a director appointed by the Board must retire and submit himself for re-election at the next AGM following his appointment.

The dates of initial appointment and last re-election of each director, together with their directorships in other listed companies are set out below:

Name of director	Appointment	Date of initial appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies (in the last three years)
Niu Ji Xing	Executive Chairman and CEO	17 November 2004	29 April 2014	None	None
Gao Zhong Fa	Executive Director	13 May 2005	26 April 2013	None	None
Wang De You	Executive Director	13 May 2005	29 April 2015	None	None
Kong Xiang Chao	Independent Director	13 May 2005	26 April 2013	None	None
Teoh Teik Kee	Lead Independent Director	13 May 2005	29 April 2014	City e-Solutions Ltd Hwang Capital (Malaysia) Berhad	None
Ong Wei Jin	Independent Director	13 May 2005	29 April 2015	China XLX Fertiliser Ltd CFM Holdings Ltd Jacks International Limited	None

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

As none of the directors hold more than three directorships in listed companies concurrently, the Board is of the view that there is no necessity at this point in time to determine the maximum number of listed company board representations which a director may hold.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as director.

Key information on the individual directors and their shareholdings in the Company are set out in the "Board of Directors" and "Directors' Report" sections of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

Board Performance
Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board's performance is reflected in the overall performance of the Group. The Board ensures that the Company is in compliance with applicable laws and the Board members act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and the contribution by the Chairman and each individual director to the effectiveness of the Board. Given the size of the Board, the NC is of the view that there is no necessity to separately assess the effectiveness of each Board committee. The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The performance criteria include factors such as risk management and internal control, and financial performance indicators as well as share price performance. Individual assessment criteria include commitment of time for meetings and any other duties.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

Access to Information
Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of the flow of information for the Board to discharge its duties effectively. All directors are furnished with the management accounts of the Group and regular updates on the financial position of the Company. Upon request, the Management will provide any additional information needed for the directors to make informed decisions. The Board has separate and independent access to the Company Secretary and the Management at all times. The Company Secretary facilitates information flow within the Board and its committees. The Company Secretary attends all Board meetings and meetings of the Board committees and ensures that the Company complies with the requirements of the Companies Act and the SGX-ST Listing Manual. The minutes of all Board and Board committees' meetings are circulated to the Board.

The Board will have independent access to professional advice when required, subject to the approval of the Chairman. The fees for professional advice will be borne by the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members:

Teoh Teik Kee (Chairman)
Ong Wei Jin
Kong Xiang Chao

Mr Teoh Teik Kee, Mr Ong Wei Jin and Mr Kong Xiang Chao are non-executive independent directors.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include:

- reviewing and recommending for endorsement by the entire Board a general framework of remuneration for the directors and key management personnel;
- reviewing and recommending for endorsement by the entire Board the specific remuneration packages for each director as well as for the key management personnel, covering all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;
- reviewing and recommending to the Board the terms of renewal of the service contracts of directors; and
- reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of services, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC's recommendations are submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration. The RC has access to appropriate external expert advice in the field of executive compensation where required.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies. The remuneration package also takes into account the Company's relative performance and the performance of individual directors and key management personnel.

The non-executive independent directors are paid directors' fees, taking into account factors such as effort and time spent, and responsibilities of the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration packages of the executive directors include a basic salary. The executive directors (save for the Executive Chairman and CEO) are not entitled to receive any profit-sharing performance bonus.

The Company has entered into service agreements with the executive directors. The service agreements are for an initial period of three years and are automatically renewed thereafter on a year-to-year basis on such terms and conditions as the parties may agree. The service agreements provide for termination by either party giving not less than six months' notice in writing.

The Company recognises the importance of motivating each employee and in this regard, the Luzhou Performance Share Scheme (the "**Scheme**") was approved at the extraordinary general meeting ("**EGM**") on 28 April 2006. Details of the Scheme are set out in the circular dated 12 April 2006 and issued to shareholders prior to the said EGM.

The Scheme is administered by the RC. The directors are eligible to participate in the Scheme. However, as controlling shareholders and their associates are not eligible to participate in the Scheme, Mr Niu Ji Xing, being a controlling shareholder, is not eligible. To date, no awards under the Scheme have been granted. The Scheme will expire on 27 April 2016 and the Company does not intend to extend the duration of the Scheme.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The following shows the level and mix of each director's remuneration paid or payable for the financial year ended 31 December 2015:

Remuneration bands	Base salary[1] %	Variable or performance-related bonus %	Directors' fees[2] %	Other benefits %	Total %
Directors *Above S$250,000 and up to S$500,000*					
Niu Ji Xing	100	-	-	-	100
Up to S$250,000					
Gao Zhong Fa	100	-	-	-	100
Wang De You	100	-	-	-	100
Kong Xiang Chao	-	-	100	-	100
Teoh Teik Kee	-	-	100	-	100
Ong Wei Jin	-	-	100	-	100
Key Management Personnel *Up to S$250,000*					
Zhang Ke	80.8	19.2	-	-	100
Li Na	80.8	19.2	-	-	100
Niu Ji Chao	56.2	43.8	-	-	100
Mao De Qing[3]	100.0	-	-	-	100
Zhao Yu Bin[4]	81.1	18.9	-	-	100
Koh Pee Keat	92.6	7.4	-	-	100

Notes:
1. Salary is inclusive of salary, allowances, Central Provident Fund contributions and pension funds.
2. Directors' fees are subject to the approval of the shareholders at the forthcoming AGM.
3. Mao De Qing resigned as Group Deputy General Manager on 4 November 2015.
4. Zhao Yu Bin is the Manager of the Group's Research and Development Centre.

CORPORATE GOVERNANCE REPORT

The aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO) of the Group in FY2015 amounted to S$403,312.

The Board is of the view that full disclosure of the specific remuneration of each individual director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

No employee who is an immediate family member of a director or the CEO was paid more than S$50,000 during FY2015.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to the shareholders on the Group's performance, financial position and prospects. The objectives of the presentation of the annual financial statements and quarterly announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance and position, and prospects. In line with the rules of the SGX-ST Listing Manual, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management understands its role in providing all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, financial position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The external and internal auditors conduct annual reviews of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the CEO and the Group Senior Finance Manager (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2015.

Audit Committee
*Principle 12: The Board should establish an Audit Committee ("**AC**") with written terms of reference which clearly set out its authority and duties.*

The AC comprises the following members:

Teoh Teik Kee (Chairman)
Kong Xiang Chao
Ong Wei Jin

Mr Teoh Teik Kee, Mr Kong Xiang Chao and Mr Ong Wei Jin are non-executive independent directors.

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities and they have the requisite accounting or related financial management expertise or experience. The AC assists the Board to maintain a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The terms of reference of the AC have been approved and adopted. The roles and functions of the AC include:

- reviewing the audit plans of the external auditors and internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;
- reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with relevant financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;
- reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the SGX-ST Listing Manual, before submission to the Board for approval;
- reviewing and discussing with the external and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- reviewing the co-operation given by the Management to the external auditors;
- reviewing the independence of the external auditors annually;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually;
- reviewing and approving interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management; and
- reviewing the procedures by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

CORPORATE GOVERNANCE REPORT

The AC has the authority to investigate any matter within its terms of reference and full access to and cooperation of the Management. The AC has full discretion to invite any director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its functions properly.

The AC meets with the external auditors and with the internal auditors without the presence of the Management at least annually.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences.

For FY2015, the fees paid by the Company to the external auditors for audit services and non-audit services amounted to RMB 905,774 and RMB14,531, respectively. The AC has reviewed all non-audit services provided by the external auditors and is of the opinion that these non-audit services would not affect the independence and objectivity of the external auditors. The AC has recommended to the Board the re-appointment of Mazars LLP Singapore as the external auditors of the Group at the forthcoming AGM.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. Contact details of the AC have been made available to all employees.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Group's assets. An in-house internal audit team, comprising persons with the relevant qualifications and experience, has been formed to perform the internal audit function. The internal audit team reports primarily to the AC Chairman. The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is satisfied with the adequacy and effectiveness of the Company's internal audit function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET and on the Company's website. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all shareholders and via the Company's website. The Company encourages shareholders' participation during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

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

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company has a Singapore office to facilitate open communication with shareholders. The Company's quarterly and full year results announcements, analyst briefings and press releases are issued via SGXNET, the Company's website (www.luzhou.sg) and the investors' website (www.shareinvestor.com). Shareholders have access to information on the Group via the Company's website. The Company discloses all material information on a timely basis to all shareholders.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company supports the Code's principle to encourage communication with and participation by shareholders. Shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation. The Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. A shareholder who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

Shareholders are given the opportunity to pose questions to the Board or the Management at the AGM. The members of the AC, NC and RC will be present at the AGM to answer questions relating to matters overseen by the respective committees. The external auditors will also be present to assist the directors in addressing any queries posed by the shareholders. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle as regards "bundling" of resolutions. The Company puts all resolutions to vote by poll and announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the AGM.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

Pursuant to the SGX-ST Listing Manual Rule 1207(4)(b)(iv), the Group is continually reviewing and improving its business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources and updating work flows, processes and procedures to meet the current and future market conditions. The Group has also considered the various financial risks and management, details of which can be found in the Annual Report.

DEALING IN SECURITIES

The Group has adopted and implemented policies in line with the SGX-ST's best practices in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

The Group has procedures in place prohibiting directors and officers from dealing in the Company's shares during the two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and the one month before the announcement of the Company's full year financial statements ("**Prohibited Periods**"), or if they are in possession of unpublished material price-sensitive information of the Group.

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the SGX-ST Listing Manual for interested person transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

In addition, any interested person transaction of value equal to or more than 3% of the Group's latest audited net tangible assets will be approved by the AC prior to entry into such transaction. In the event that a member of the AC is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual as laid down in Chapter 9, and accounting standards are complied with.

The aggregate values of the interested person transactions between the Company or its subsidiaries and any of its interested persons during FY2015, are as follows:

Name of interested person and nature of transaction	Aggregate value of all transactions during FY2015 (excluding transactions less than $100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders Mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	RMB'000	**RMB'000**
Rental expenses paid to Shandong Luzhou Food Group Co., Ltd	3,100	-
Rental expenses paid to Shaanxi Xingping Luzhou Sugar Products Co., Ltd	2,100	-
Rental expenses paid to Fushun Luzhou Amylum Sugar Products Co., Ltd.	250	-

Material Contracts and Loans

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that except as disclosed in the Directors' Statement and Financial Statements and under "Interested Person Transactions" above, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either still subsisting at the end of FY2015 or if not then subsisting, which were entered into since the end of FY2014.

Financial Contents

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Executive directors
Niu Ji Xing
Gao Zhong Fa
Wang De You

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

3. Arrangement to enable directors to acquire shares and debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' Interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company holding office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Direct interest		Deemed interest	
Name of director	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
LUZHOU BIO-CHEM TECHNOLOGY LIMITED				
(No. of ordinary shares)				
Niu Ji Xing	3,900,000[(2)]	5,850,000[(2)]	157,950,000[(1)]	236,925,000[(1)]
Gao Zhong Fa	15,200,000	22,800,000	-	-
Wang De You	10,100,000	15,150,000	-	-
Teoh Teik Kee	125,000	187,500	-	-
Ong Wei Jin	125,000	125,000	-	-

(1) These shares are held by Faith Corporate International Limited, a company incorporated in the British Virgin Islands, whose sole director and shareholder is the Executive Chairman, Niu Ji Xing. These shares are registered in the name of Citibank Nominees Singapore Private Limited.

(2) The shares of Niu Ji Xing are registered in the name of Citibank Nominees Singapore Private Limited.

By virtue of Section 7 of the Act, Niu Ji Xing is deemed to have interests in all the subsidiaries of Luzhou Bio-Chem Technology Limited, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in the above mentioned interests in the Company between the end of the financial year and at 21 January 2016.

5. Directors' contractual benefits

Since the end of the last financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201 (8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements.

6. Share options

There were no options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

DIRECTORS' STATEMENT

7. Audit Committee

The Audit Committee of the Company comprises three independent directors and at the date of this statement are:

Teoh Teik Kee (Chairman)
Ong Wei Jin
Kong Xiang Chao

The Audit Committee has convened four meetings during the year with key management and the internal and external auditors of the Company.

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Act.

In performing those functions, the Audit Committee review:

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

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) Nomination of external auditors and approval of their compensation; and

(ix) Submission of report of actions and minutes of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

DIRECTORS' STATEMENT

8. Auditors

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

On behalf of the directors

Niu Ji Xing
Director

Wang De You
Director

Singapore
28 March 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUZHOU BIO-CHEM TECHNOLOGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Luzhou Bio-Chem Technology Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of the financial position of the Group and the Company as at 31 December 2015, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 40 to 89.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and 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.

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.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	4	**2,431,436**	2,074,912
Cost of sales		**(2,167,930)**	(1,981,850)
Gross profit		**263,506**	93,062
Other item of income			
Other operating income	5	**38,635**	29,430
Other items of expenses			
Selling and distribution expenses		**(107,135)**	(109,530)
Administrative expenses		**(96,703)**	(140,793)
Other operating expenses		**(2,129)**	(154,001)
Finance expenses	6	**(60,207)**	(57,952)
Profit/(Loss) before taxation	7	**35,967**	(339,784)
Income tax expense	9	**(7,586)**	-
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year		**28,381**	(339,784)
Attributable to:			
Owners of the Company		**28,381**	(339,784)
Profit/(Loss) per share attributable to the owners of the Company (RMB cents per share):			
Basic and diluted	10	**6.3**	(85.8)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Non-current assets					
Property, plant and equipment	11 (i)	**647,968**	691,967	**-**	-
Land use rights	11 (ii)	**45,766**	46,834	**-**	-
Investments in subsidiaries	12	**-**	-	**372,654**	372,654
		693,734	738,801	**372,654**	372,654
Current assets					
Inventories	13	**198,227**	238,894	**-**	-
Trade receivables	14	**183,895**	179,354	**-**	-
Other receivables, deposits and prepayments	15	**42,175**	28,272	**10,786**	10,786
Income tax recoverable		**-**	886	**-**	-
Cash and cash equivalents	16	**166,919**	54,618	**16,613**	5,334
		591,216	502,024	**27,399**	16,120
Total assets		**1,284,950**	1,240,825	**400,053**	388,774
Equity attributable to owners of the Company					
Share capital	17	**308,723**	282,820	**308,723**	282,820
Statutory reserve	18	**90,893**	90,893	**-**	-
Accumulated (losses)/profits		**(273,112)**	(301,493)	**82,022**	88,687
Total equity		**126,504**	72,220	**390,745**	371,507
Non-current liabilities					
Interest-bearing liabilities	20	**562,400**	567,400	**-**	-
Interest-free loan from a director	25	**-**	9,841	**-**	9,841
Deferred income	21	**34,874**	40,327	**-**	-
Deferred taxation	22	**589**	589	**-**	-
		597,863	618,157	**-**	9,841
Current liabilities					
Trade payables	23	**208,172**	217,420	**-**	-
Other payables	24	**77,890**	102,123	**950**	820
Deferred income	21	**6,248**	6,080	**-**	-
Amount owing to a related party	19	**525**	825	**-**	-
Amount owing to subsidiaries	19	**-**	-	**8,358**	6,606
Interest-bearing liabilities	20	**265,000**	224,000	**-**	-
Income tax payable		**2,748**	-	**-**	-
		560,583	550,448	**9,308**	7,426
Total liabilities		**1,158,446**	1,168,605	**9,308**	17,267
Total equity and liabilities		**1,284,950**	1,240,825	**400,053**	388,774

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital	Statutory reserve	Accumulated profits/ (losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 1 January 2014	282,820	90,893	38,289	412,002
Total comprehensive loss for the financial year	-	-	(339,784)	(339,784)
Refund of unclaimed dividend	-	-	2	2
At 31 December 2014	282,820	90,893	(301,493)	72,220
Total comprehensive profit for the financial year	-	-	28,381	28,381
Issue of shares (Note 17)	25,903	-	-	25,903
At 31 December 2015	308,723	90,893	(273,112)	126,504

	Share capital	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000
Company			
At 1 January 2014	282,820	78,146	360,966
Total comprehensive income for the financial year	-	10,539	10,539
Refund of unclaimed dividend	-	2	2
At 31 December 2014	282,820	88,687	371,507
Total comprehensive loss for the financial year	-	(6,665)	(6,665)
Issue of shares (Note 17)	25,903	-	25,903
At 31 December 2015	308,723	82,022	390,745

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Profit/(Loss) before taxation		**35,967**	(339,784)
Adjustments for:			
Depreciation of property, plant and equipment	11(i)	**79,175**	90,241
Amortisation of land use rights	11(ii)	**1,068**	1,422
Amortisation of government grant	21	**(6,122)**	(7,636)
Loss/(Gain) on disposal of property, plant and equipment, net		**(849)**	8,221
Impairment loss on property, plant and equipment		**-**	137,487
Interest expense	6	**60,207**	57,952
Interest income	5	**(3,848)**	(540)
Reversal of write-down of inventories	13	**(1,485)**	(249)
Allowance for doubtful trade receivables	14	**136**	2,825
Reversal of allowances for doubtful trade receivables	14	**(20)**	(2,644)
Foreign currencies exchange gain, net		**(815)**	-
Operating cash flows before movements in working capital		**163,414**	(52,705)
Movements in working capital			
Inventories		**42,152**	34,525
Trade receivables		**(4,657)**	12,165
Other receivables, deposits and prepayments		**(13,903)**	24,570
Trade payables		**(9,248)**	2,353
Other payables		**(23,396)**	(6,898)
Amount owing to a related party		**(300)**	-
Cash generated from operations		**154,062**	14,010
Income taxes paid		**(3,952)**	(1,360)
Net cash generated from operating activities		**150,110**	12,650
Investing activities			
Purchase of property, plant and equipment	11(i)	**(42,113)**	(32,285)
Proceeds from disposal of property, plant and equipment		**7,786**	11,583
Interest income received		**3,848**	540
Proceeds from government grant		**-**	34,491
Net cash (used in)/generated from investing activities		**(30,479)**	14,329
Financing activities			
Proceeds from issue of shares		**26,806**	-
Issuing expense paid		**(903)**	-
Refund of dividend		**-**	2
Interest expense paid		**(60,207)**	(57,952)
Amount owing to a related party		**-**	(1,695)
Net increase in pledged cash deposits		**(81,000)**	(3,550)
Repayment of interest-free loans from a director		**(9,026)**	(1,461)
Proceeds from interest-bearing loans and borrowings		**1,341,400**	1,006,400
Repayment of interest-bearing loans and borrowings		**(1,305,400)**	(984,350)
Net cash used in financing activities		**(88,330)**	(42,606)
Net decrease in cash and cash equivalents		**31,301**	(15,627)
Cash and cash equivalents at beginning of financial year		**50,618**	66,245
Cash and cash equivalents at end of financial year	16	**81,919**	50,618

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

1. General

Luzhou Bio-chem Technology Limited (the "Company") (Registration Number: 200412523N) is incorporated in Singapore and has its registered office at 18 Cross Street, #07-11 China Square Central, Singapore 048423. The Company was admitted to the Mainboard of the Singapore Exchange Securities Trading Limited on 24 February 2006. The Company's principal place of business is at 8 Burn Road, #07-09 Trivex, Singapore 369977.

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are set out in Note 12.

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 2015 were authorised for issue by the board of directors on 28 March 2016.

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 ("FRS") including related Interpretations of FRS ("INT FRS") 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.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.1 Basis of preparation (Cont'd)

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interests in Joint Operations	1 January 2016
FRS 110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception (Editorial corrections in June 2015)	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
Various	Improvements to FRSs (November 2014)	Various

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

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2015. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

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

2.1 Basis of preparation (Cont'd)

FRS 109 *Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity'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.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. 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 or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group does not intend to early adopt FRS 115. The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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 subsidiaries are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 retained earnings) 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 FRS 39 *Financial Instruments: Recognition and Measurement*.

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

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

2.3 Business combinations

Business combinations from 1 January 2010

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. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") 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 FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.3 Business combinations (Cont'd)

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.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, 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.

Certain of the above-mentioned requirements on application from 1 January 2010 were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

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

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangement to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

Interest income is recognised on a time-apportioned basis using effective interest method.

(iii) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

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

2.7 Income tax (Cont'd)

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.8 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.9 Property, plant and equipment (Cont'd)

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment over their estimated useful lives as follows:

	Estimated useful lives
Property	20 years
Machinery and tools	3 - 12 years
Office equipment and furniture	5 years
Motor vehicles	6 years
Renovation	3 - 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable.

The depreciation method, estimated useful lives and residual values are reviewed, at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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

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

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

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

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

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

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.12 Impairment of tangible and intangible assets (Cont'd)

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

Financial assets and financial liabilities are recognised when the Group becomes a 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 assets

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.13 Financial instruments (Cont'd)

Financial assets (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.

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.

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.

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.13 Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Other financial liabilities

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

Trade and other payables and 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.

Borrowings

Interest-bearing bank loans 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 Groups accounting policy for borrowing costs (see Note 2.5).

Derecognition of financial liabilities

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

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

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.17 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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 income" in the period in which they become receivable.

2.19 Dividends

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

2.20 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 tangible asset

An impairment exists when the carrying value of an asset or cash-generating unit 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 cash flows are derived from the budget for the next five years 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 extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of tangible asset, are given in Note 11(i) to the financial statements.

3.1 Critical judgements made in applying the Group's accounting policies (Cont'd)

3.2 Key sources of estimation uncertainty

Allowance for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The total carrying amounts of the Group's and the Company's trade and other receivables, excluding prepayments as at 31 December 2015 were RMB 212,353,000 (2014: RMB 195,224,000) and RMB 10,786,000 (2014: RMB 10,786,000) respectively.

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 amounts of the Group's property, plant and equipment as at 31 December 2015 were RMB 647,968,000 (2014: RMB 691,967,000).

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the Company's investments in subsidiaries are impaired. Once such investments have indication of impairment, the management will assess based on the estimation of the value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows, using a suitable discount rate in order to calculate the present value of those cash flows. No impairment was recognised during the financial year. The carrying amount of the Company's investment in subsidiaries as at 31 December 2015 was RMB 372,654,000 (2014: RMB 372,654,000).

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 salability 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 was RMB 198,227,000 (2014: RMB 238,894,000). There was an allowance for RMB 1,051,000 (2014: RMB 3,141,000) made on inventory for the financial year.

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 amounts of the Group's and Company's current tax payable as at 31 December 2015 were RMB 2,748,000 (2014: RMB Nil) and RMB Nil (2014: RMB Nil) respectively. The carrying amounts of the Group's tax recoverable and deferred tax assets as at 31 December 2015 were RMB Nil (2014: RMB 886,000) and RMB 589,000 (2014: RMB 589,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Revenue

	Group	
	2015 RMB'000	**2014 RMB'000**
Sale of goods	**2,431,436**	2,074,912

5. Other operating income

	Group	
	2015 RMB'000	**2014 RMB'000**
Gain on sale of consumables and waste materials	**10,954**	11,177
Gain on disposal of property, plant and equipment	**986**	-
Government grant and subsidies	**3,080**	6,362
Amortisation of government grant (Note 21)	**6,122**	7,636
Interest income from banks	**3,848**	540
Income from penalties imposed on suppliers	**3,927**	1,703
Foreign currencies exchange gain	**1,089**	-
Utilities income	**2,546**	1,104
Others	**6,083**	908
	38,635	29,430

Government grants relate to monetary incentives received from government agencies in PRC for efficient usage of energy, energy conservation, certain interests on loans, new project development, purchase of industrial products, assistance for value-added tax incurred, post stabilising and development of technical know-how.

6. Finance expenses

	Group	
	2015 RMB'000	**2014 RMB'000**
Interest expense on trade financing	**372**	305
Interest expense on bank loans	**59,834**	57,556
Interest expense – others	**1**	91
	60,207	57,952

7. Profit/(Loss) before taxation

	Group	
	2015 RMB'000	**2014 RMB'000**
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Audit fees to auditors of the Company	**906**	971
Non-audit fees paid to auditors of the Company	**14**	16
Total fees paid to auditors of the Company	**920**	987
Cost of inventories included in cost of sales	**2,167,930**	1,981,850
Directors' remuneration (Note 8)	**3,872**	4,450
Directors' fee (Note 8)	**784**	830
Foreign currencies exchange (gain)/loss, net	**(1,089)**	588
Operating lease expenses	**6,448**	8,055
Research and development expenses	**923**	1,671
Impairment loss on property, plant and equipment	**-**	137,487
(Gain)/loss on disposal of property, plant and equipment, net	**(849)**	8,221
Allowance for doubtful trade receivables, net	**116**	181
Staff costs (excluding directors' remuneration) (Note 8)	**138,632**	145,850
Utilities charges	**28,231**	23,370
Transportation costs	**71,170**	67,723

Depreciation of property, plant and equipment totalling RMB 53,965,000 (2014: RMB 49,448,000) is recognised as an expense in the cost of sales.

8. Staff costs

	Group	
	2015 RMB'000	**2014 RMB'000**
Salaries and bonuses	**122,203**	116,582
Contribution to defined contribution plan	**11,974**	21,767
Other staff related costs	**4,455**	7,501
	138,632	145,850

Staff costs totalling RMB 90,841,000 (2014: RMB 79,784,000) were recognised as an expense in the cost of sales.

Compensation of key management personnel

	Group	
	2015 RMB'000	**2014 RMB'000**
Directors of the Company		
Short-term employee benefits		
- Salaries	**3,840**	4,440
- Directors' fee	**784**	830
- Others	**32**	10
	4,656	5,280

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. Income tax expense

	Group	
	2015 RMB'000	**2014 RMB'000**
Current tax		
Current year	**7,586**	-

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 profit/(loss) before taxation of the main operating legal subsidiaries in PRC due to the following factors:

	Group	
	2015 RMB'000	**2014 RMB'000**
Profit/(Loss) before taxation	**35,967**	(339,784)
Tax at the applicable rate of 25%	**8,992**	(84,946)
Tax exemption	**(3,456)**	-
Effect of different tax rate of Singapore company	**533**	(843)
Non-deductible expenses	**31,656**	10,399
Deferred tax assets arising in current year not recognised	**5,445**	75,390
Utilisation of deferred tax assets not recognised previously	**(35,584)**	-
Total tax expense	**7,586**	-

The prevailing tax rate of the subsidiaries residing in the PRC is 25% (2014: 25%). Certain subsidiary 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	
	2015 RMB'000	**2014 RMB'000**
Unutilised tax losses	**77,986**	79,198
Unutilised capital allowances	**-**	34,372
Others	**3,701**	(1,744)
	81,687	111,826

At the reporting date, certain subsidiaries in the Group have unutilised tax losses and unutilised capital allowances amounted to RMB 311,942,000 (2014: RMB 316,794,000) and RMB Nil (2014: RMB 137,487,000) respectively 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 and unutilised capital allowances in their respective countries of incorporation. These tax losses and unutilised capital allowances will expire 5 years from the year it arises. Deferred tax assets are not recognised due to uncertainty of its recoverability.

10. Profit/(Loss) per share

Basic and diluted profit/(loss) per share is calculated based on the profit/(loss) attributable to shareholders for the financial year divided by the number of the Company's ordinary shares as follows:

	Group	
	2015	**2014**
Basic and diluted profit/(loss) per share is based on:		
- Profit/(loss) for the financial year attributable to ordinary shareholders (RMB '000)	**28,381**	(339,784)
Weighted average number of ordinary shares (in thousands)	**452,100**	396,000
Profit/(Loss) per share (RMB cents)	**6.3**	(85.8)

11 (i). Property, plant and equipment

	Property	Machinery and tools	Office equipment and furniture	Motor vehicles	Renovation	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Cost							
At 1 January 2014	347,786	1,071,664	44,153	14,189	225	11,779	1,489,796
Additions	1,205	11,323	954	958	-	17,845	32,285
Disposals	(1,765)	(26,341)	(2,467)	(1,366)	-	(3,026)	(34,965)
Reclassifications	4,275	4,152	9	118	-	(8,554)	-
At 31 December 2014	351,501	1,060,798	42,649	13,899	225	18,044	1,487,116
At 1 January 2015	351,501	1,060,798	42,649	13,899	225	18,044	1,487,116
Additions	1,028	15,509	1,383	1,810	-	22,383	42,113
Disposals	-	(9,370)	(339)	(3,280)	-	(922)	(13,911)
Reclassifications	7,405	13,563	-	-	-	(20,968)	-
At 31 December 2015	359,934	1,080,500	43,693	12,429	225	18,537	1,515,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

	Property	Machinery and tools	Office equipment and furniture	Motor vehicles	Renovation	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Accumulated depreciation							
At 1 January 2014	75,631	454,406	35,275	12,113	157	-	577,582
Depreciation for the financial year	15,258	71,417	2,721	777	68	-	90,241
Disposals	(8)	(11,739)	(2,223)	(1,191)	-	-	(15,161)
At 31 December 2014	90,881	514,084	35,773	11,699	225	-	652,662
At 1 January 2015	90,881	514,084	35,773	11,699	225	-	652,662
Depreciation for the financial year	14,697	61,673	2,127	678	-	-	79,175
Disposals	-	(3,563)	(308)	(3,103)	-	-	(6,974)
At 31 December 2015	105,578	572,194	37,592	9,274	225	-	724,863
Accumulated impairment loss							
At 1 January 2014	-	5,000	-	-	-	-	5,000
Charged for the financial year	27,695	109,792	-	-	-	-	137,487
At 31 December 2014 and 31 December 2015	27,695	114,792	-	-	-	-	142,487
Carrying amount							
At 31 December 2015	226,661	393,514	6,101	3,155	-	18,537	647,968
At 31 December 2014	232,925	431,922	6,876	2,200	-	18,044	691,967

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2013, 31 December 2013 and 31 December 2014	24	224	248
Accumulated depreciation			
At 1 January 2014	24	156	180
Depreciation for the financial year	-	68	68
At 31 December 2014	24	224	248
Depreciation for the financial year	-	-	-
At 31 December 2015	24	224	248
Carrying amount			
At 31 December 2015 and 31 December 2014	-	-	-

During 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. Based on the review, an impairment loss of RMB Nil (2014: RMB 137,487,000) is recognised. The recoverable amount of the relevant assets has been determined on the basis of their value-in-use. The pre-tax discount rate used in measuring value in use based on the weighted average cost of capital was 7.84% (2014: 7.5%).

As at the reporting date, property, plant and equipment with carrying amount of RMB 481,636,000 (2014: RMB 315,178,000) have been pledged to secure the Group's interest-bearing loans and borrowings as disclosed in Note 20.

There is no property, plant and equipment held under finance leases at the reporting date.

Sensitivity analysis

The management has estimated that when the estimated discounted rate applied to the discounted cash flow had been 8.84% instead of 7.84%, there is no significant impact to the carrying amount of the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11 (ii). Land use rights

	Group	
	2015 RMB'000	**2014 RMB'000**
Cost		
At 1 January and 31 December	**52,928**	52,928
Accumulated amortisation		
At 1 January	**6,094**	4,672
Amortisation for the financial year	**1,068**	1,422
At 31 December	**7,162**	6,094
Carrying amount		
At 31 December	**45,766**	46,834
Amounts to be amortised		
Not later than one year	**1,068**	1,422
Later than one year but not later than five years	**4,274**	5,690
Later than five years	**40,424**	39,722
	45,766	46,834

(a) Land use rights represented leasehold interests in 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 45,766,000 (2014: RMB 46,834,000) has been pledged to interest bearing loans of the Group (Note 20).

12. Investments in subsidiaries

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	**372,654**	372,654

No impairment is required for both financial year ended 31 December 2015 and 2014 based on management's assessment which is based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period.

The key assumptions used for value-in-use calculations are as follows:

(i) The anticipated annual revenue growth used for cash flow projections beyond the five-year period was extrapolated is 2% (2014: 3%); and

(ii) The pre-tax discount rate of 7.84% (2014: 7.5%) had been used as the weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources (historical data).

Sensitivity analysis

The management has estimated that when the estimated discounted rate applied to the discounted cash flow had been 8.84% instead of 7.84%, or the projected growth rate on the projected growth rate had been 1% instead of 2%, there is no significant impact to the carrying amount of the investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. Investments in subsidiaries (Cont'd)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment held by the Company		Effective percentage of equity interest held by the Company	
			2015	2014	2015	2014
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	**US$25,300,000 (RMB189,341,000)**	US$25,300,000 (RMB189,341,000)	**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 (RMB15,909,000)**	US$2,000,000 (RMB15,909,000)	**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 (RMB46,381,000)**	US$7,000,000 (RMB46,381,000)	**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 (RMB35,700,000)**	US$4,463,000 (RMB35,700,000)	**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 (RMB82,323,000)**	US$11,000,000 (RMB82,323,000)	**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 (RMB3,000,000)**	US$375,000 (RMB3,000,000)	**100**	100
山东鲁洲氨基酸有限公司 (Shandong Luzhou Amino Acid Co., Ltd.) (1)	Production and sale of amino acids	People's Republic of China	**-**	-	**100**	100
			RMB372,654,000	RMB372,654,000		

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

(2) The subsidiary has three branch offices: Beijing Branch Office, Yishui Branch Office and Animal Feed Branch Office, of which the Beijing Branch Office ceased operations from August 2010 and the closure was confirmed by the relevant authorities on 11 October 2011.

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.

13. Inventories

	Group	
	2015 RMB'000	2014 RMB'000
Raw materials	**110,657**	139,943
Work-in-progress	**17,738**	14,353
Finished goods	**68,465**	83,323
Packaging materials and consumables	**1,367**	1,275
	198,227	238,894

Inventories recognised as an expense:

Inventories written-down	**1,051**	3,141
Reversal of write-down of inventories	**(2,536)**	(3,390)
	(1,485)	(249)

14. Trade receivables

	Group	
	2015 RMB'000	2014 RMB'000
Trade receivables	**174,536**	135,487
Bills receivables	**8,748**	27,250
Value-added tax recoverables	**4,468**	20,358
	187,752	183,095
Allowances for doubtful trade receivables	**(3,857)**	(3,741)
	183,895	179,354

Movement in allowances for doubtful trade receivables are as follow:

At 1 January	**(3,741)**	(3,560)
Allowance charged to profit or loss	**(136)**	(2,825)
Reversal of allowances	**20**	2,644
At 31 December	**(3,857)**	(3,741)

Allowance for doubtful trade receivables arose mainly from customers who have difficulty in settling the amount due. Reversal of allowances is due to amount either recovered during the financial year or has been reassessed as recoverable.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. Trade receivables (Cont'd)

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

	Group	
	2015 RMB'000	2014 RMB'000
RMB	**178,474**	174,827
United States dollar ("USD" or "US$")	**5,421**	4,527
	183,895	179,354

Trade receivables are non-interest bearing and generally on 30 days (2014: 30 days) credit term. The Group does not hold any collateral or credit enhancements over the trade receivables.

Bills receivables, which are non-interest bearing, are issued by banks with average maturity of 4 months (2014: 4 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.

15. Other receivables, deposits and prepayments

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Other receivables	**8,099**	7,355	**35**	35
Advances paid to suppliers	**20,359**	8,515	**-**	-
	28,458	15,870	**35**	35
Prepayments	**13,717**	12,402	**-**	-
Dividends receivable from subsidiaries	**-**	-	**10,751**	10,751
	42,175	28,272	**10,786**	10,786

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

The dividends receivable from subsidiaries are denominated in RMB, unsecured, interest-free and are repayable on demand.

15. 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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
RMB	**42,140**	28,237	**10,751**	10,751
Singapore dollar ("SGD" or "S$")	**35**	35	**35**	35
	42,175	28,272	**10,786**	10,786

The above balances relate to receivables with no recent history of default and management is of the view that these receivables are collectible.

16. Cash and cash equivalents

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash at banks and in hand	**81,919**	50,618	**16,613**	5,334
Bank deposits	**85,000**	4,000	**-**	-
	166,919	54,618	**16,613**	5,334

Cash at banks earn interest at floating rates based on daily bank deposits rates. The effective interest rate earned for the financial year was 1.3% (2014: 0.9%) per annum for cash at banks and 3.2% (2014: 2.9%) for pledged cash deposits.

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	
	2015 RMB'000	2014 RMB'000
Cash at banks and in hand	**166,919**	54,618
Bank deposits pledged	**(85,000)**	(4,000)
Cash and cash equivalents per consolidated statement of cash flows	**81,919**	50,618

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. Cash and cash equivalents (Cont'd)

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

	Group		Company	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
RMB	**150,306**	49,284	**-**	-
SGD	**16,613**	5,334	**16,613**	5,334
	166,919	54,618	**16,613**	5,334

17. Share capital

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

	Group and Company			
	Share capital		No. of shares	
	2015 RMB'000	**2014 RMB'000**	**2015 '000**	**2014 '000**
Fully paid ordinary shares at the beginning of financial year	**282,820**	282,820	**396,000**	396,000
Issue of shares	**26,806**	-	**198,000**	-
Listing expense	**(903)**	-	**-**	-
Fully paid ordinary shares at the end of financial year	**308,723**	282,820	**594,000**	396,000

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.

The Company has undertaken a renounceable rights issue of 198,000,000 new ordinary shares in the capital of the Company (the Rights Shares) at issue price of $0.03 for each Rights Issue on the basis of one Rights Shares for every two existing stocks unit in the capital of the Company. The Rights Shares has been issued on 18 September 2015. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

18. 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.

19. Amount owing to a related party/subsidiaries

The amount owing to a related party/subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand.

The amount owing to a related party and subsidiaries is denominated in RMB.

20. Interest-bearing liabilities

	Group	
	2015 RMB'000	**2014 RMB'000**
<u>**Loans and borrowings**</u>		
Non-current		
- Secured	**254,000**	259,000
- Unsecured	**308,400**	308,400
Total non-current	**562,400**	567,400
Current		
- Secured	**235,000**	45,000
- Unsecured	**30,000**	179,000
Total current	**265,000**	224,000
Total loans and borrowings	**827,400**	791,400

Maturity of interest-bearing loans and borrowings

	Group	
	2015 RMB'000	**2014 RMB'000**
Within one year	**265,000**	224,000
After one year but within two years	**528,400**	567,400
After two years but within five years	**34,000**	-
Total interest-bearing loans and borrowings	**827,400**	791,400

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) corporate guarantee given by related parties;

(iv) corporate guarantee given by third parties; and

(v) pledge of cash deposit of the Group.

The loan and borrowings are denominated in RMB and bears interest at the effective interest rate of 5.39% (2014: 6.76%) per annum.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. Deferred income

Deferred income represents receipt of government grants relating to construction of certain production plants using domestically manufactured plant and equipment in PRC. The deferred income is amortised to the profit or loss on a straight-line basis over the expected useful lives of the relevant assets. There are no unfulfilled conditions or contingencies attached to these grants.

	Group	
	2015 RMB'000	**2014 RMB'000**
Cost		
At 1 January	**71,617**	68,617
Additions	**837**	3,000
At 31 December	**72,454**	71,617
Accumulated amortisation		
At 1 January	**25,210**	17,574
Amortisation for the financial year	**6,122**	7,636
At 31 December	**31,332**	25,210
Carrying amount		
At 31 December	**41,122**	46,407
Amortisation due within:		
Next twelve months - current portion	**6,248**	6,080
More than twelve months - non-current portion	**34,874**	40,327
	41,122	46,407

The additional government grant of RMB 837,000 during the financial year was the special grant for key laboratory used to purchase instrument and equipment of the Group's Research and Development Centre. The government grant of RMB 3,000,000 recognised in FY2014 is relating to the "Plumbing construction of our Liaoning subsidiary".

22. Deferred taxation

	Group	
	2015 RMB'000	**2014 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 169,700,000 (2014: RMB 100,500,000). 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. Trade payables

Trade payables are denominated in RMB, non-interest bearing and are normally settled within 30 days (2014: 30 days).

24. Other payables

	Group		Company	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
Other payables	**13,911**	23,713	**-**	-
Deposits from customers	**4,184**	3,404	**-**	-
Payables for construction of property, plant and equipment	**1,019**	2,009	**-**	-
Retention money owing to contractors and suppliers	**7,467**	10,741	**-**	-
Accrued operating expenses	**28,907**	43,557	**950**	820
Advances from customers	**21,140**	16,723	**-**	-
Other tax payables	**1,262**	1,976	**-**	-
	77,890	102,123	**950**	820

Other payables and accruals are non-interest bearing and have an average repayment term of 6 months (2014: 6 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	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
RMB	**76,940**	101,303	**-**	-
SGD	**950**	820	**950**	820
	77,890	102,123	**950**	820

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

25. Interest-free loan from a director

	Group and Company	
	2015 RMB'000	**2014 RMB'000**
Within one year	**-**	-
After one year but within two years	**-**	9,841
	-	9,841

The loan from a director is non-trade in nature, unsecured and interest-free. The loan has been fully settled during the financial year.

26. Dividends

Subject to the approval at the forthcoming Annual General Meeting, the directors recommend the payment of a first and final dividend of S$0.002 (2014: Nil) per ordinary share (one-tier exempt), totalling approximately S$1,188,000 (RMB 5,450,437), (2014: Nil) for the financial year ended 31 December 2015.

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	
	2015 RMB'000	**2014 RMB'000**
Commitments in respect of the construction of plant and equipment	**49,232**	7,410

Operating lease commitments – as 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	
	2015 RMB'000	**2014 RMB'000**
Within one year	**5,549**	5,600
After one year but within five years	**4,200**	5,300
	9,749	10,900

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.

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).

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	
	2015 RMB'000	**2014 RMB'000**
Transactions with parties in which a director has substantial interest:		
- Operating lease expenses	**5,450**	5,450

In 2015, addition to the above transaction, the Company has fully repaid the interest-free loan from a director of RMB 9,841,000 (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. Segment information

The Group has four reporting segments, as described below, which are the Group's strategic business units based on their products.

The Group's reportable operating segments are as follows:

(a) Corn refining – includes the manufacture and sale of corn sweeteners, corn starch, corn oil and related products.

(b) Animal feeds – includes the manufacture of feed for farm animals.

(c) Other products – includes manufacture and sale of amino acids and provision of engineering services and construction of industrial machinery and equipment.

(d) Corporate – includes administrative offices in Beijing and Singapore. Beijing branch office has ceased operations from August 2010 and on 11 October 2011, the relevant authorities has confirmed the closure of this Branch.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. Segment information (Cont'd)

	Corn refining RMB'000	Animal feeds RMB'000	Others RMB'000	Corporate RMB'000	Eliminations RMB'000	Notes	Group RMB'000
2015							
Revenue:							
External customers	**2,298,769**	**127,089**	**5,578**	**-**	**-**		**2,431,436**
Inter-segment sales	**34,067**	**-**	**2,816**	**-**	**(36,883)**	**A**	**-**
Total revenue	**2,332,836**	**127,089**	**8,394**	**-**	**(36,883)**		**2,431,436**
Results:							
Segment profit/(loss) before taxation	**100,866**	**(2,804)**	**(1,145)**	**(6,663)**	**(54,287)**	**B**	**35,967**
Income tax expense	**(7,586)**	**-**	**-**	**-**	**-**		**(7,586)**
Interest income from banks	**3,842**	**4**	**2**	**-**	**-**		**3,848**
Interest expense	**(60,190)**	**(12)**	**(3)**	**(2)**	**-**		**(60,207)**
Depreciation of property, plant and equipment	**(79,105)**	**(858)**	**(925)**	**-**	**1,713**	**C**	**(79,175)**
Amortisation of land use rights	**(1,068)**	**-**	**-**	**-**	**-**		**(1,068)**
Other non-cash income/(expenses)	**7,529**	**-**	**(38)**	**-**	**-**	**D**	**7,491**
Assets:							
Segment assets	**1,241,278**	**14,858**	**22,855**	**16,649**	**(10,690)**	**E**	**1,284,950**
Additions to non-current assets	**41,544**	**177**	**392**	**-**	**-**	**F**	**42,113**
Liabilities:							
Segment liabilities	**1,143,247**	**9,145**	**4,515**	**950**	**589**	**G**	**1,158,446**
2014							
Revenue:							
External customers	1,860,105	204,160	10,647	-	-		2,074,912
Inter-segment sales	52,181	-	4,467	-	(56,648)	A	-
Total revenue	1,912,286	204,160	15,114	-	(56,648)		2,074,912
Results:							
Segment loss before taxation	(251,106)	(4,514)	(19,392)	(9,460)	(55,312)	B	(339,784)
Interest income from banks	529	9	2	-	-		540
Interest expense	(57,937)	(11)	(3)	(1)	-		(57,952)
Depreciation of property, plant and equipment	(89,458)	(898)	(1,558)	(68)	1,741	C	(90,241)
Amortisation of land use rights	(1,422)	-	-	-	-		(1,422)
Impairment loss on property, plant and equipment	(124,164)	-	(13,323)	-	-	-	(137,487)
Other non-cash income	7,133	-	571	-	-	D	7,704
Assets:							
Segment assets	1,202,856	22,708	22,157	5,370	(12,266)	E	1,240,825
Additions to non-current assets	32,215	67	3	-	-	F	32,285
Liabilities:							
Segment liabilities	1,139,165	13,458	4,732	10,661	589	G	1,168,605

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 " profit/(loss) before taxation" presented in consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Profit from inter-segment sales	**2,072**	2,100
Finance costs net of interest income	**(56,359)**	(57,412)
Total	**(54,287)**	(55,312)

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

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

Amortisation of government grant	**6,122**	7,636
Reversal of write-down of inventories, net	**1,485**	249
Addition of allowance for doubtful trade receivables, net	**(116)**	(181)
	7,491	7,704

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

	2015 RMB'000	2014 RMB'000
Inter-segment assets	**(10,690)**	(12,266)

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:

	2015 RMB'000	2014 RMB'000
Deferred tax liabilities	**589**	589

29. Segment information (Cont'd)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments

	Group	
	2015 RMB'000	2014 RMB'000
Segment revenue by location of customers		
- PRC	**2,369,618**	1,973,106
- Overseas	**61,818**	101,806
	2,431,436	2,074,912
Capital expenditures by geographical location of assets		
- PRC	**42,113**	32,285
Segment assets by geographical location of assets		
- PRC	**1,268,301**	1,235,455
- Overseas	**16,649**	5,370
	1,284,950	1,240,825

NOTES TO THE FINANCIAL STATEMENTS

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30. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. 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.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
Financial assets				
Trade receivables	**183,895**	179,354	**-**	-
Other receivables and deposits	**28,458**	15,870	**10,786**	10,786
Cash and cash equivalents	**166,919**	54,618	**16,613**	5,334
Loans and receivables	**379,272**	249,842	**27,399**	16,120
Financial liabilities				
Interest-bearing liabilities	**827,400**	791,400	**-**	-
Interest-free loan from a director	**-**	9,841	**-**	9,841
Amount owing to a related party	**525**	825	**-**	-
Amount owing to subsidiaries	**-**	-	**8,358**	6,606
Trade payables	**208,172**	217,420	**-**	-
Other payables	**77,890**	102,123	**950**	820
Financial liabilities at amortised cost	**1,113,987**	1,121,609	**9,308**	17,267

30. Financial risk management objectives and policies (Cont'd)

Credit risk

The credit risk of the Group's financial assets, which comprise cash and bank balances, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group has established credit review on new customers and credit terms were only extended to creditworthy customers. It is the Group's policy which requires all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not considered to be significant.

Cash is placed with banks and financial institutions which are regulated.

At the reporting date, there is no significant concentration of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

The ageing of trade receivables at the reporting date is as follows:

	2015		2014	
	Gross receivables	Allowances for doubtful debt	Gross receivables	Allowances for doubtful debt
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Within 30 days	**115,800**	**-**	141,852	-
Past due 31 - 90 days	**39,788**	**-**	32,333	-
Past due 91- 180 days	**16,806**	**(335)**	2,884	(88)
Past due 181 - 365 days	**12,141**	**(792)**	1,134	(795)
More than one year	**3,217**	**(2,730)**	4,892	(2,858)
	187,752	**(3,857)**	183,095	(3,741)

The trade receivables that are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy, based on credit evaluation process by management.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date of credit was initially granted to the reporting date.

The Group's historical experience in the collection of accounts receivable falls within the recorded allowance. Due to these factors, management believes that no additional credit risks beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The above allowances are individually determined based on collection records and the financial standing of the respective customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. Financial risk management objectives and policies (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 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.

	2015				2014			
	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:								
Trade and other receivables	**212,353**	**-**	**-**	**212,353**	195,224	-	-	195,224
Cash and cash equivalents	**166,919**	**-**	**-**	**166,919**	54,618	-	-	54,618
Total undiscounted financial assets	**379,272**	**-**	**-**	**379,272**	249,842	-	-	249,842
Financial liabilities:								
Interest-bearing loans and borrowings	**270,927**	**585,338**	**41,921**	**898,186**	239,138	644,091	-	883,229
Interest-free loan from a director	**-**	**-**	**-**	**-**	-	9,841	-	9,841
Trade and other payables	**286,062**	**-**	**-**	**286,062**	319,543	-	-	319,543
Amounts owing to a related party	**525**	**-**	**-**	**525**	825	-	-	825
Total undiscounted financial liabilities	**557,514**	**585,338**	**41,921**	**1,184,773**	559,506	653,932	-	1,213,438
Total net undiscounted financial liabilities	**(178,242)**	**(585,338)**	**(41,921)**	**(805,501)**	(309,664)	(653,932)	-	(963,596)

The Group prepares cash flows projections 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. In addition, the Group has access to interest-bearing loans and borrowings from financial institutions which is disclosed in Note 20.

The Company's financial assets and financial liabilities as of the reporting date are receivable and payable within the next 12 months.

30. Financial risk management objectives and policies (Cont'd)

Market risk

Market risk is the risk that changes in market prices, 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.

Interest rate risk

The Group's interest rate risk relates to interest-bearing borrowings which comprise borrowings from banks. The Group monitors its funding requirement and the changes in interest rates to ensure that interest payables are within acceptable level. The Group's interest rate risk is mainly limited to floating rate financial instruments.

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
2015				
Fixed rate				
Interest-bearing loans and borrowings	**240,000**	**300,000**	**-**	**540,000**
Floating rate				
Interest-bearing loans and borrowings	**25,000**	**228,400**	**34,000**	**287,400**
2014				
Fixed rate				
Interest-bearing loans and borrowings	224,000	567,400	-	791,400

The fixed rate interest-bearing loans and borrowings bear interest at rates ranging from 4.6% to 7.8% (2014: 5.5% to 7.5%) per annum. Interests are at fixed rates until the maturity of the instrument.

The interest rate on floating rate interest-bearing loan and borrowings ranges from 0.3% to 25% over and above RMB Loan Prime Rate (the "LPR"), and is contractually repriced at intervals of less than 6 months.

Interest rate sensitivity analysis

The sensitivity analysis below have 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 profit for the financial year ended 31 December 2015 of the Group and Company would decrease/increase by RMB 3,392,000. As at 31 December 2014, as the Group does not have any floating rate loans and borrowings, they are not exposed to significant interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. Financial risk management objectives and policies (Cont'd)

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 20.

Foreign currency risk

The Group transacts business in various foreign currencies, mainly USD and SGD, other than the respective functional currencies of the Group's entities, and hence is exposed to foreign currency risks.

The Group does not use derivative financial instruments to hedge its foreign currency risk.

Sensitivity analysis

At the reporting date, if the USD were to weaken 10% against the RMB, with all variables held constant, the Group's pre-tax profit for the year would have been approximately RMB 542,000 lower (2014: RMB 500,000 lower), mainly as a result of foreign exchange loss on translation of USD currency denominated trade receivables. A 10% strengthening against the RMB would have equal but opposite effect.

At the balance sheet reporting date, if the S$ were to strengthen 10% against the RMB, with all variable held constant, the Group's pre-tax profit for the year would have been RMB 1.7 million higher (2014: RMB 0.5 million lower), mainly as a result of foreign exchange gains on translation of S$ denominated bank deposit. A 10% weakening against the RMB would have equal but opposite effect.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rate. At the reporting date, the Group is subject to insignificant risk on USD and SGD denominated balances.

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 / interest-free loans and borrowings (including bills payable) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debts.

31. Capital risk management (Cont'd)

The Group's strategy on capital management remained unchanged from the previous year, which was to maintain a gearing ratio of less than one. The gearing ratios at reporting date were as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Total borrowings	**827,400**	801,241
Less: cash and cash equivalents	**(166,919)**	(54,618)
Net debt	**660,481**	746,623
Total equity	**126,504**	72,220
Total capital	**786,985**	818,843
Gearing ratio	**0.84**	0.91

As disclosed in Note 18, 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 2015 and 2014.

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.

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.

No analysis is disclosed since the Group has no assets or liabilities that are measured at fair value subsequent to initial recognition for the financial year ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

The carrying amount of trade and other receivables, cash and cash equivalents, interest-free loan from a director, and trade and other payables approximates their fair values due to the short period to maturity and subject to normal credit form. The fair value of the Group's fixed rate interest bearing loans and borrowings approximates their carrying amounts as they bear interest at a rate which approximates the current borrowing rate for similar lending and borrowing arrangements.

The fair value of interest-free loan from a director (non-current) as at the reporting date was estimated via discounting the expected cash flows using a discount rate which approximates the market rate of interest. The difference between the carrying amount and the fair value is Nil (2014:RMB 557,000) which has not been recognised in the profit or loss as it is not material.

Interest rates used for determining fair value

The interest rate used to discount the expected cash flows is as follows:

	2015	2014
Interest-free loan from a director	-	6.0%

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 FRS 113 *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 the Board of Directors for comments and approval.

During the financial year, there is no change in the applicable valuation techniques.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shareholdings
1 - 99	2	0.09	113	0.00
100 - 1,000	31	1.34	25,790	0.00
1,001 - 10,000	952	41.27	7,122,900	1.20
10,001 - 1,000,000	1,292	56.00	110,303,000	18.57
1,000,001 and above	30	1.30	476,548,197	80.23
TOTAL	**2,307**	**100.00**	**594,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 15 March 2016)

	Direct interest		Deemed interest	
Name of shareholders	No. of shares	%	No. of shares	%
Niu Ji Xing[(1), (2)]	5,850,000	0.98	236,925,000	39.89
Faith Corporate International Limited[(2)]	236,925,000	39.89	-	-
Toh Bee Yong[(3)]	104,517,595	17.59	-	-

Notes:

(1) Niu Ji Xing is deemed to have an interest in the 236,925,000 shares held by Faith Corporate International Limited by virtue of Section 7 of the Companies Act, Chapter 50.

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

(3) The shares of Toh Bee Yong are registered in the name of DBS Nominees (Private) Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	No. of shares	% of shareholdings
1	CITIBANK NOMINEES SINGAPORE PTE LTD	243,275,000	40.96
2	DBS NOMINEES (PRIVATE) LIMITED	110,024,995	18.52
3	GAO ZHONGFA	22,800,000	3.84
4	WANG DEYOU	15,150,000	2.55
5	ZHANG CONGQIAO	15,000,000	2.53
6	CHUA ENG ENG	10,120,002	1.70
7	OCBC SECURITIES PRIVATE LIMITED	9,590,900	1.61
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,057,000	1.52
9	CHEN SHUOWANG	4,837,500	0.81
10	TEO RAYMOND	4,100,000	0.69
11	RAFFLES NOMINEES (PTE) LIMITED	3,031,200	0.51
12	TEO POH SUAN	2,717,000	0.46
13	HE GUANGHUI	2,230,000	0.38
14	ABN AMRO NOMINEES SINGAPORE PTE LTD	2,100,000	0.35
15	CHOW GOON CHAU PATRICIA	2,000,000	0.34
16	PAN LIN	1,975,500	0.33
17	TEO LYE HOCK	1,700,000	0.29
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,622,500	0.27
19	KO AH HUEY OR TEO POH SUAN	1,467,000	0.25
20	TAN YONG CHIANG OR TAN HUI LIANG	1,403,000	0.24
	TOTAL	**464,201,597**	**78.15**

FREE FLOAT

Based on the information provided to the Company as at 15 March 2016, approximately 35.1% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Falcon Room, National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739, on Thursday, 28 April 2016 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the audited accounts for the financial year ended 31 December 2015, together with the Directors' Statement and the Independent Auditors' Report.

Resolution 2

2. To declare a final one-tier tax exempt cash dividend of S$0.002 per ordinary share in respect of the financial year ended 31 December 2015 (FY2014: nil).

Resolution 3

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

Resolution 4

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

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

Resolution 5

5. To approve the payment of Directors' fees of SGD140,000 and RMB150,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears (FY2015: SGD140,000 and RMB150,000).

Resolution 6

6. To re-appoint Mazars LLP as the Company's Independent Auditors and to authorise the Directors to fix their remuneration.

7. To transact any other ordinary business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

Resolution 7

8. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution, with or without modifications:-

   "<u>Authority to allot and issue shares</u>

   That pursuant to Section 161 of the Companies Act, Chapter 50, the Articles of Association of the Company and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:-

   (A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:-

(1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) ("**Issued Shares**"), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the total number of Issued Shares;

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this authority is given, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this authority is given, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or sub-division of shares;

(3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."
[see Explanatory Note (i)]

BY ORDER OF THE BOARD

Vincent Lim Bock Hui
Company Secretary
Singapore
11 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:-

(i) Ordinary Resolution 7 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time Ordinary Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities, (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time Ordinary Resolution 7 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and (c) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

Notes:-

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

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

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

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

(v) The duly executed instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 18 Cross Street #07-11 China Square Central, Singapore 048423, not less than 48 hours before the time appointed for holding the AGM.

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

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ANNUAL GENERAL MEETING PROXY FORM

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 200412523N)

IMPORTANT:

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

I/We, ________________________________ (Name) ____________________ (NRIC/Passport/Registration No.)

of ____ (Address)

being a member/members of LUZHOU BIO-CHEM TECHNOLOGY LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company to be held at Falcon Room, National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739 on Thursday, 28 April 2016 at 2.30 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
1.	Audited accounts for financial year ended 31 December 2015		
2.	Payment of final dividends		
3.	Re-election of Mr Gao Zhong Fa as a Director		
4.	Re-election of Mr Kong Xiang Chao as a Director		
5.	Approval of Directors' fees of SGD140,000 and RMB150,000		
6.	Re-appointment of Mazars LLP as Independent Auditors		
7.	Authority to allot and issue shares		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolution as set out in the Notice of AGM. Alternatively, if you wish to exercise your votes both for and against the resolution, please indicate the number of shares in the respective spaces provided.)

Dated this ____________ day of ____________ 2016

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

ANNUAL GENERAL MEETING PROXY FORM

LUZHOU BIO-CHEM TECHNOLOGY LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 200412523N)

Notes:-

1. Unless otherwise permitted under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

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

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

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

5. This proxy form duly executed must be deposited at the registered office of the Company at 18 Cross Street #07-11 China Square Central Singapore 048423 not less than 48 hours before the time set for the AGM.

6. This proxy form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

8. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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

10. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2016.

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

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