

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Changmao Biochemical Engineering Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



常茂生物化學工程股份有限公司  
**Changmao Biochemical Engineering Company Limited\***

(a joint stock limited company incorporated in the People's Republic of China)  
(Stock Code: 8208)

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF  
38.78% EQUITY INTEREST IN LANLING PHARMACEUTICAL**

**Financial Adviser**



**CIMB Securities (HK) Limited**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



**First Shanghai Capital Limited**

---

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from First Shanghai containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

A notice convening the EGM to be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong at 11:00 a.m. on 21 May 2012 is set out on pages N-1 to N-2 of this circular.

Reply slip and proxy form for use at the above meeting are enclosed and are also published on the GEM website. Shareholders who intend to attend the above meeting should complete and lodge the accompanying reply slip and return it, in the case of holders of Domestic Shares and Foreign Shares, to the Company's principal place of business in Hong Kong at Room 54, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong, and, in the case of holders of H Shares, to the Company's H share registrar, being Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, on or before 30 April 2012.

Whether or not you are able to attend the above meeting, please complete and return the enclosed proxy form, in the case of holders of Domestic Shares and Foreign Shares, to the aforementioned principal place of business of the Company in Hong Kong, and, in the case of holders of H Shares, to the Company's H share registrar, as soon as practicable and in any event no later than 24 hours before the time appointed for the holding of the EGM.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven (7) days from the date of its posting and on the Company's website at [www.cmbec.com.hk](http://www.cmbec.com.hk).

\* For identification purpose only

---

## CHARACTERISTICS OF GEM

---

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	12
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	14
<b>APPENDIX I – SUMMARY OF THE PRC VALUATION REPORT</b> .....	App I-1
<b>APPENDIX II – GENERAL INFORMATION</b> .....	App II-1
<b>NOTICE OF EGM</b> .....	N-1

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Board”	the board of the Directors
“Bonus Sky”	Bonus Sky Investments Limited (利天投資有限公司), a company incorporated in the British Virgin Islands and wholly owned by Mr. Rui as at the Latest Practicable Date
“Company”	常茂生物化學工程股份有限公司 (Changmao Biochemical Engineering Company Limited*), a joint stock limited company incorporated in the PRC with the H Shares currently listed on the GEM (stock code: 8208)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the conditional disposal of the Sale Interest on terms and conditions set out in the Equity Transfer Agreement
“Domestic Share(s)”	ordinary share(s) with a par value of RMB0.10 each in the capital of the Company which is(are) subscribed for in RMB by PRC citizens and/or entities
“EGM”	the extraordinary general meeting of the Company to be convened at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong at 11:00 a.m. on 21 May 2012 for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 16 March 2012 entered into between the Company and Kameo in respect of the Disposal
“First Shanghai” or “Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder

\* For identification purpose only

---

## DEFINITIONS

---

“Foreign Share(s)”	ordinary share(s) with a par value of RMB0.10 each in the capital of the Company which is(are) subscribed for in a currency other than RMB by non-PRC citizens and/or entities
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) with a par value of RMB0.10 each in the capital of the Company which is(are) subscribed for and traded in HK\$ and listed on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors for the purpose of advising the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who have no material interest in the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	independent third party(ies) who is(are) independent of the Company and its connected person(s) as ascribed under the GEM Listing Rules
“Kameo”	Kameo Limited, a company incorporated in Hong Kong and wholly owned by Mr. Yu, a connected person of the Company, and his spouse as at the Latest Practicable Date
“Latest Practicable Date”	30 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lanling Pharmaceutical”	常州蘭陵製藥有限公司(Changzhou Lanling Pharmaceutical Production Co., Ltd.), an enterprise established in the PRC, 38.78% registered capital of which is held by the Company as at the Latest Practicable Date
“Mr. Rui”	Mr. Rui Xin Sheng, being the chairman of the Board, an executive Director and a director of Lanling Pharmaceutical

---

## DEFINITIONS

---

“Mr. Yu”	Mr. Yu Xiao Ping, being a non-executive Director and together with his spouse interested in the entire issued capital of Jomo Limited, a company that was incorporated in Hong Kong and is the registered holder and beneficial owner of 66,000,000 Foreign Shares, representing approximately 12.46% of the total Shares in issue as at the Latest Practicable Date
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Interest”	38.78% of the equity interest in Lanling Pharmaceutical
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	collectively, Domestic Share(s), H Share(s) and Foreign Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

---

## LETTER FROM THE BOARD

---



常茂生物化學工程股份有限公司  
**Changmao Biochemical Engineering Company Limited\***

*(a joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 8208)

*Executive Directors:*

Mr. Rui Xin Sheng (*Chairman*)  
Mr. Pan Chun

*Non-executive Directors:*

Mr. Zeng Xian Biao  
Mr. Yu Xiao Ping  
Mr. Wang Jian Ping  
Ms. Leng Yi Xin

*Independent non-executive Directors:*

Prof. Ouyang Ping Kai  
Prof. Yang Sheng Li  
Ms. Wei Xin

*Head office and legal address:*

No. 1228 Chang Jiang Bei Road  
New North Zone  
Changzhou City  
Jiangsu Province, 213034  
The PRC

*Principal place of business  
in Hong Kong:*

Room 54, 5/F  
New Henry House  
10 Ice House Street  
Central  
Hong Kong

3 April 2012

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF  
38.78% EQUITY INTEREST IN LANLING PHARMACEUTICAL**

**INTRODUCTION**

On 16 March 2012, the Board announced that the Company and Kameo, a connected person of the Company, entered into the Equity Transfer Agreement, pursuant to which, the Company has conditionally agreed to sell, and Kameo has conditionally agreed to acquire, the Sale Interest, being 38.78% of the equity interest in Lanling Pharmaceutical, at the Consideration of RMB28,115,500.

The Disposal constitutes a non-exempt connected transaction of the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the GEM Listing Rules. The Disposal also constitutes a discloseable transaction for the Company pursuant to Chapter 19 of the GEM Listing Rules.

\* For identification purpose only

---

## LETTER FROM THE BOARD

---

The main purpose of this circular is to provide you with:

- a) further details of the Equity Transfer Agreement and the transactions contemplated thereunder;
- b) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder;
- c) the advice of First Shanghai to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder;
- d) a summary of the PRC valuation report on Lanling Pharmaceutical prepared by 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited\*) (the “**PRC Valuer**”); and
- e) the notice convening the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

### THE EQUITY TRANSFER AGREEMENT

#### Date

16 March 2012

#### Parties

Vendor: the Company

Purchaser: Kameo, a company engaged in the import and export pharmaceutical products and investment holding

As at the Latest Practicable Date, Mr. Yu is a non-executive Director and together with his spouse are, through Jomo Limited (a company incorporated in Hong Kong and wholly owned by Mr. Yu and his spouse), interested in 66,000,000 Foreign Shares, representing approximately 19.21% of the total Foreign Shares in issue and approximately 12.46% of the total Shares in issue. Accordingly, Mr. Yu is a connected person of the Company under the GEM Listing Rules. As at the Latest Practicable Date, Mr. Yu and his spouse together hold the entire interest of Kameo. Accordingly, Kameo is an associate of Mr. Yu and thus a connected person of the Company under the GEM Listing Rules.

\* For identification purpose only



---

## LETTER FROM THE BOARD

---

### Asset to be disposed of

The Sale Interest, representing 38.78% of the equity interest in Lanling Pharmaceutical.

### Consideration

The consideration (the “**Consideration**”) for the Disposal is RMB28,115,500 which shall be payable by Kameo in cash. The Consideration was determined after arm’s length negotiations between the parties to the Equity Transfer Agreement with reference to the appraised net assets value of Lanling Pharmaceutical attributable to the Sale Interest as at 29 February 2012, being approximately RMB21,587,003. Such appraisal was conducted by the PRC Valuer, being an independent valuer registered in the PRC, using the asset-based approach. Please refer to the summary of the PRC valuation report of Lanling Pharmaceutical as set out in Appendix I to this circular for details of the appraisal.

### Payment

Kameo shall make payment with an amount of RMB7,756,000 to the Company within 30 days from the date of the Equity Transfer Agreement and the remaining balance within 30 days from the effective date of the Equity Transfer Agreement.

### Undertaking from Kameo

Kameo undertakes that, upon the Equity Transfer Agreement becoming effective, the Company shall be free from responsibilities and liabilities arising from any litigations and disputes with respect to Lanling Pharmaceutical occurred before the Equity Transfer Agreement becomes effective.

### Conditions

The Equity Transfer Agreement shall become effective upon the fulfillment of the following conditions:

- (i) the Company and Kameo having executed the Equity Transfer Agreement validly;
- (ii) the other equity holders (save for Kameo) of Lanling Pharmaceutical having consented to the Disposal contemplated under the Equity Transfer Agreement and to the renunciation of their respective pre-emptive rights to purchase the Sale Interest;
- (iii) Lanling Pharmaceutical having obtained approval from its board of directors for the revision on the articles of association of Lanling Pharmaceutical (the “**Revised Articles of Association**”) as a result of the transfer of the Sale Interest contemplated under the Equity Transfer Agreement;
- (iv) the Company having obtained approval of the Equity Transfer Agreement from the Independent Shareholders at the EGM;

---

## LETTER FROM THE BOARD

---

- (v) each equity holder of Lanling Pharmaceutical having signed the Revised Articles of Association in accordance with the PRC laws; and
- (vi) all necessary approvals and/or consents (if any) from the relevant authorities in the PRC in respect of the Equity Transfer Agreement and the transactions contemplated thereunder and the Revised Articles of Association having been obtained.

As at the Latest Practicable Date, the above conditions (i) and (ii) have been fulfilled. If any of the above conditions is not fulfilled by 30 September 2012, the Equity Transfer Agreement will terminate automatically save for the surviving terms. In such event, no party will have any claim against or liability to the other save for any antecedent breaches of the Equity Transfer Agreement.

### INFORMATION ON LANLING PHARMACEUTICAL

Lanling Pharmaceutical is a limited liability company incorporated in the PRC in 1979 and is principally engaged in the production and sale of antibiotics and synthetic drugs in the form of injections, capsules, tablets and granules as well as active pharmaceutical ingredients.

As at the Latest Practicable Date, the registered capital of Lanling Pharmaceutical is RMB25 million and is owned as to 38.78% by the Company, 32.00% by Mr. Yu and his associates (including, among others, Kameo with 27% interest), 12.5% by Bonus Sky, a company wholly owned by Mr. Rui, and the remaining of an aggregate of 16.72% by two PRC-incorporated companies each of which is held by the existing and former employees of the Company and the Independent Third Parties. Upon completions of the Disposal and the transfer of 12.5% equity interest in Lanling Pharmaceutical by Bonus Sky to Kameo, the registered capital of Lanling Pharmaceutical will be owned as to 83.28% by Mr. Yu and his associates (including, among others, Kameo with 78.28% interest) and the remaining of an aggregate of 16.72% by the aforesaid PRC-incorporated companies.

Set out below is certain financial information of Lanling Pharmaceutical as extracted from its audited financial statements prepared in accordance with the generally accepted accounting principles in the PRC for the two financial years ended 31 December 2011:

	<b>For the year ended 31 December</b>	
	<b>2010</b>	<b>2011</b>
	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)
Profit before taxation	30.0	1.9 <sup>Note</sup>
Net profit after taxation	25.4	2.2 <sup>Note</sup>

*Note:*

The material decrease in each of profit before taxation and net profit after taxation was mainly attributable to a provision of approximately RMB45.8 million made by Lanling Pharmaceutical as a result of the Judgment (as defined below).

As at 31 December 2011, the audited net assets value of Lanling Pharmaceutical was approximately RMB69.0 million.

---

## LETTER FROM THE BOARD

---

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the production and sale of organic acids. Upon Completion, the Company will not have any equity interest in Lanling Pharmaceutical and will cease to have any rights and obligations in Lanling Pharmaceutical.

On 28 July 2000, Lanling Pharmaceutical and two independent third parties (the “**Plaintiffs**”) entered into a cooperation contract (as supplemented from time to time, collectively the “**Cooperation Contracts**”) for the development, production and sale of certain pharmaceutical products (the “**Subject Products**”). On 7 December 2009, the Plaintiffs filed a claim against Lanling Pharmaceutical in a PRC court alleging the breach of the Cooperation Contracts by the unpermitted purchase of raw material for producing the Subject Products and production and sale of the Subject Products by Lanling Pharmaceutical. The PRC court subsequently issued its judgment (the “**Judgment**”) on the claim which ordered that, among others, (i) the Cooperation Contracts were invalid; (ii) Lanling Pharmaceutical shall pay the Plaintiffs an aggregate of approximately RMB49.3 million for the settlement of raw materials provided by the Plaintiffs and the Plaintiffs’ share of revenue from the sale of the Subject Products by Lanling Pharmaceutical; and (iii) Lanling Pharmaceutical shall cease production and sale of the Subject Products with the technologies of one of the Plaintiffs. Although Lanling Pharmaceutical filed appeal (the “**Appeal Proceeding**”) against the Judgment in August 2011, the Directors (excluding the independent non-executive Directors whose views are set out on pages 12 to 13 of this circular) consider that the Disposal would release the Company from the uncertainties arising from the pending Appeal Proceeding and the potential adverse impacts on the operation and financial condition of Lanling Pharmaceutical as a result of its ceasing production and sales of the Subject Products with the technologies of one of the Plaintiffs as required under the Judgment.

The Company estimates that the net proceeds from the Disposal (after deducting expenses in relation thereto) are approximately RMB27.8 million, which will be used for general working capital of the Group.

Subject to audit, the estimated gain on the Disposal shall be approximately RMB11.3 million which is calculated based on the Consideration of approximately RMB28.1 million deducted by the sum of (i) the adjusted net asset book value of Lanling Pharmaceutical attributable to the Sale Interest as at 31 December 2011 of approximately RMB16.5 million (being the net asset book value of Lanling Pharmaceutical attributable to the Sale Interest as at 31 December 2011 of approximately RMB29.1 million adjusted by the dividend attributable to the Sale Interest declared by Lanling Pharmaceutical for the year ended 31 December 2011 of approximately RMB12.6 million); and (ii) the estimated expenses in connection with the Disposal of approximately RMB0.3 million. Shareholders should note that the actual gain or loss on the Disposal to be recorded by the Company will be determined based on the net asset book value of Lanling Pharmaceutical on the date of Completion.

The Directors (excluding the independent non-executive Directors whose views are set out on pages 12 to 13 of this circular) are of the view that the terms of the Equity Transfer Agreement were determined after arm’s length negotiations between the parties and on normal commercial terms and fair and reasonable as far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, Mr. Yu is a non-executive Director, and together with his spouse, are interested in 66,000,000 Foreign Shares, representing approximately 19.21% of the total Foreign Shares in issue and approximately 12.46% of the total Shares in issue. Accordingly, Mr. Yu is a connected person of the Company under the GEM Listing Rules. As at the Latest Practicable Date, Mr. Yu and his spouse together hold the entire interest of Kameo. Accordingly, Kameo is an associate of Mr. Yu and thus a connected person of the Company under the GEM Listing Rules and the Disposal constitutes a non-exempt connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the GEM Listing Rules. The Disposal also constitutes a discloseable transaction for the Company pursuant to Chapter 19 of the GEM Listing Rules. As Mr. Yu and Mr. Rui are deemed to be interested in the Disposal, Mr. Yu, Mr. Rui and Ms. Leng Yi Xin (being the spouse of Mr. Rui and a non-executive Director) had abstained from voting on the board resolution approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder.

### CLOSURE OF BOOKS

Holders of H Shares are advised that the register of members of the Company will close from 20 April 2012 to 21 May 2012 (both days inclusive), during which time no transfer of H Shares will be effected and registered. Holders of Shares whose names appear on the register of members of the Company at the close of business on 19 April 2012 are entitled to attend the EGM. In order to qualify for attendance and voting at the EGM, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's share registrar and transfer office for H Shares, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on 19 April 2012.

### THE EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder. Only the Independent Shareholders will be entitled to vote on the ordinary resolution to be proposed at the EGM to approve these matters. As Mr. Yu and Mr. Rui are deemed to be interested in the Disposal, Jomo Limited (a corporation controlled by Mr. Yu and his spouse), 常州新生生化科技開發有限公司 (Changzhou Xinsheng Bio-Technology Development Co., Ltd.\*), an enterprise wholly owned by Mr. Rui and his spouse) and Hong Kong Xinsheng Pioneer Investment Company Limited (a corporation controlled by Mr. Rui and his spouse) are required to abstain from voting at the EGM on the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A notice convening the EGM to be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong at 11:00 a.m. on 21 May 2012 is set out on pages N-1 to N-2 of this circular.

\* For identification purpose only

---

## LETTER FROM THE BOARD

---

Reply slip and proxy form for use at the above meeting are enclosed and are also published on the GEM website. Shareholders who intend to attend the above meeting should complete and lodge the accompanying reply slip and return it, in the case of holders of Domestic Shares and Foreign Shares, to the Company's principal place of business in Hong Kong at Room 54, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong, and, in the case of holders of H Shares, to the Company's H share registrar, being Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, on or before 30 April 2012.

Whether or not you are able to attend the above meeting, please complete and return the enclosed proxy form, in the case of holders of Domestic Shares and Foreign Shares, to the aforementioned principal place of business of the Company in Hong Kong, and, in the case of holders of H Shares, to the Company's H share registrar, as soon as practicable and in any event no later than 24 hours before the time appointed for the holding of the EGM.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven (7) days from the date of its posting and on the Company's website at [www.cmbec.com.hk](http://www.cmbec.com.hk).

In compliance with the GEM Listing Rules, the above resolution will be voted on by way of poll at the EGM.

### **RECOMMENDATION**

The Board, including the Independent Board Committee, is of the opinion that the terms of the Equity Transfer Agreement are fair and reasonable so far as the Company is concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends that the Independent Shareholders vote in favour of the resolution set out in the notice of the EGM for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder.

### **TRANSFER OF EQUITY INTEREST IN LANLING PHARMACEUTICAL FROM BONUS SKY TO KAMEO**

The Board was notified by Bonus Sky, a company wholly owned by Mr. Rui, that on 16 March 2012, Bonus Sky and Kameo entered into a conditional equity transfer agreement, pursuant to which Bonus Sky has conditionally agreed to sell, and Kameo has conditionally agreed to acquire, 12.5% of the equity interest in Lanling Pharmaceutical at a consideration of RMB9,062,500, which is equivalent to the Consideration for the Disposal on a proportional basis. Upon completion of such conditional equity transfer agreement, Bonus Sky will not have any equity interest in Lanling Pharmaceutical and will cease to have any rights and obligations in Lanling Pharmaceutical.

---

## LETTER FROM THE BOARD

---

As at the Latest Practicable Date, Mr. Rui and Ms. Leng Yi Xin (being the spouse of Mr. Rui and a non-executive Director) are interested in the entire issued capital of 常州新生生化科技開發有限公司 (Changzhou Xinsheng Bio-Technology Development Co., Ltd.\*), an enterprise that was incorporated in the PRC and is the registered holder and beneficial owner of 2,500,000 Domestic Shares, representing approximately 0.47% of the total Shares in issue as at the Latest Practicable Date. Furthermore, Mr. Rui and Ms. Leng Yi Xin taken together are interested in approximately 82.6% of the entire issued capital of Hong Kong Xinsheng Pioneer Investment Company Limited (being the sum of a beneficial interest of approximately 63.0% and an interest of approximately 19.6% as Mr. Rui's trustee capacity), an investment holding company that was incorporated in Hong Kong and is the registered holder and beneficial owner of 135,000,000 Foreign Shares, representing approximately 25.49% of the total Shares in issue as at the Latest Practicable Date.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

By order of the board of  
**Changmao Biochemical Engineering Company Limited\***  
**Rui Xin Sheng**  
*Chairman*

\* For identification purpose only



常茂生物化學工程股份有限公司  
**Changmao Biochemical Engineering Company Limited\***  
*(a joint stock limited company incorporated in the People's Republic of China)*  
(Stock Code: 8208)

3 April 2012

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF  
38.78% EQUITY INTEREST IN LANLING PHARMACEUTICAL**

We refer to the circular of the Company dated 3 April 2012 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable, and whether the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

First Shanghai has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

Your attention is drawn to the “Letter from the Board” set out on pages 4 to 11 of the Circular which contains, inter alia, information about the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, and the “Letter from the independent financial adviser” set out on pages 14 to 22 of the Circular which contains its advice in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, together with the principal factors taken into consideration in arriving at such.

\* For identification purpose only

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered the terms of the Equity Transfer Agreement, and having taken into account the factors and reasons considered by and the advice of First Shanghai, we consider that the terms of the Equity Transfer Agreement are fair and reasonable. We also consider that the Equity Transfer Agreement is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

**Independent Board Committee**

**Prof. Ouyang Ping Kai**

**Prof. Yang Sheng Li**

**Ms. Wei Xin**

*Independent non-executive Directors*



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai for the purpose of incorporation into this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

3 April 2012

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF 38.78% EQUITY INTEREST IN LANLING PHARMACEUTICAL**

#### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the circular of the Company to the Shareholders dated 3 April 2012 (the “**Circular**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 16 March 2012, the Company and Kameo entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to sell and Kameo conditionally agreed to acquire the Sale Interest, being approximately 39% of the equity interest in Lanling Pharmaceutical, at the consideration of approximately RMB28 million (the “**Consideration**”). Upon Completion, the Company will no longer hold any equity interest in Lanling Pharmaceutical and will cease to have any rights and obligations in Lanling Pharmaceutical.

Kameo is wholly owned by Mr. Yu and his spouse. Mr. Yu is a non-executive Director and, together with his spouse, hold approximately 12% of the total issued Shares, therefore Kameo is a connected person of the Company under the GEM Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company and is subject to, amongst others, the approval by the Independent Shareholders at the EGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Independent Board Committee, comprising all the independent non-executive Directors, namely Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Ms. Wei Xin, has been formed to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and will continue to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and Lanling Pharmaceutical.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

#### 1. Background of and benefits for the entering into of the Equity Transfer Agreement

##### *Information on the Group*

The Group is principally engaged in the production and sale of organic acids. As disclosed in the annual report of the Company for the year ended 31 December 2011 (the “**2011 Annual Report**”), the Group recorded turnover and profit attributable to Shareholders of approximately RMB620 million and RMB41 million for the year ended 31 December 2011, representing annual growth of approximately 20% and annual decrease of approximately 46%, respectively. As stated in the 2011 Annual Report, despite turnover improved due to the expansion of production lines and the growth of sales volume during the year, net profit deteriorated due to, amongst others, the increase in raw material prices, the depreciation of the United States Dollar and the decline in the share of profit of Lanling Pharmaceutical.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Information on Lanling Pharmaceutical*

Lanling Pharmaceutical is principally engaged in the production and sale of antibiotics and synthetic drugs in the form of injections, capsules, tablets and granules as well as active pharmaceutical ingredients. Lanling Pharmaceutical has registered capital of RMB25 million and is owned as to approximately 39% by the Company, approximately 32% by Mr. Yu and his associates, approximately 13% by Bonus Sky and the balance by two PRC-incorporated companies. The key financial performance of Lanling Pharmaceutical for each of the years ended 31 December 2010 and 2011 as extracted from the audited financial statements of Lanling Pharmaceutical prepared in accordance with the generally accepted accounting principles in the PRC (the “**Target Audited Accounts**”) are set out in the table below.

	<b>For the year ended 31 December</b>	
	<b>2010</b>	<b>2011</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
Turnover	105	130
Profit before taxation	30	2
Net profit after taxation	25	2

As detailed in the letter from the Board, Lanling Pharmaceutical was involved in a lawsuit regarding its breach of the cooperation contracts entered into among Lanling Pharmaceutical and two independent business partners (the “**Plaintiffs**”) for the development, production and sale of certain pharmaceutical products (the “**Subject Products**”). The PRC court subsequently issued its judgment (the “**Judgment**”), which ordered, amongst others, Lanling Pharmaceutical to cease the production and sale of the Subject Products with the technologies of one of the Plaintiffs and pay the Plaintiffs an aggregate of approximately RMB49 million. We are advised that Lanling Pharmaceutical had been profitable in the recent years and the significant deterioration in the net profit of Lanling Pharmaceutical for the year ended 31 December 2011 was principally attributable to the provision in relation to the Judgment.

Set out in the table below is the breakdown of the unaudited financial position of Lanling Pharmaceutical as at 29 February 2012 as extracted from the management accounts of Lanling Pharmaceutical prepared in accordance with the generally accepted accounting principles in the PRC (the “**Target Management Accounts**”).

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

	<b>As at</b> <b>29 February 2012</b> <i>(in RMB million)</i>
Non-current assets	60
Current assets	94
<b>Total assets</b>	<b>154</b>
Non-current liabilities	–
Current liabilities	116
<b>Total liabilities</b>	<b>116</b>
Net assets attributable to shareholders	38
Non-controlling interests	–
<b>Net assets</b>	<b>38</b>

As shown in the above table, net assets of Lanling Pharmaceutical amounted to approximately RMB38 million as at 29 February 2012. We understand that non-current assets primarily included net fixed assets of approximately RMB42 million, which mainly were property, plant and equipment. We also understand that current assets mainly comprised net trade receivables of approximately RMB23 million and net other receivables of approximately RMB22 million. We are advised that current liabilities primarily included the provision in relation to the Judgment of approximately RMB46 million and short-term borrowings of approximately RMB30 million.

### *Reasons for and the benefits of the entering into of the Equity Transfer Agreement*

As disclosed in the announcement of the Company dated 31 August 2006, the acquisition of equity interest in Lanling Pharmaceutical was for the expansion of the business of the Group into pharmaceutical production. We understand that the business of Lanling Pharmaceutical did not evolve into the major business of the Group, where the share of profit of Lanling Pharmaceutical of approximately RMB10 million represented only approximately 2% and 14% of the turnover and net profit of the Group for the year ended 31 December 2010, respectively. Moreover, we understand from the management of the Group that Lanling Pharmaceutical has been operating independently, where the operations of the major businesses of the Group do not rely on Lanling Pharmaceutical. Accordingly, we are advised that the Disposal would not affect the ongoing operations of the major businesses of the Group.

According to information provided by the management of the Group, a significant portion of the revenue of Lanling Pharmaceutical was derived from the sale of the Subject Products, where the sale of the Subject Products accounted for approximately 60% of the total revenue of Lanling Pharmaceutical for the year ended 31 December 2011. Despite Lanling Pharmaceutical had been profitable in the recent years, we are advised by the management of the Group that the Judgment,

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

which has led to the significant provision amount and the cessation of the production of the Subject Products with the technologies of one of the Plaintiffs, may have impaired the reputation, financial position and business operations of Lanling Pharmaceutical and therefore the future profitability of Lanling Pharmaceutical in the upcoming years is uncertain. Moreover, we are further advised that the probability for Lanling Pharmaceutical to be involved in further claims or penalties is also uncertain.

The Disposal not only allows the Group to realise its investments in Lanling Pharmaceutical, but also releases the Group from any potential adverse impacts that might arise from Lanling Pharmaceutical, where Kameo undertakes that, upon the Equity Transfer Agreement becoming effective, the Company shall be free from responsibilities and liabilities arising from any litigations and disputes with respect to Lanling Pharmaceutical occurred before the Equity Transfer Agreement becomes effective. We also understand from the management of the Group that, given the uncertainties of the prospects of Lanling Pharmaceutical, the Group may not be able to secure alternative deals on terms that are no less favourable than those of the Equity Transfer Agreement in the short run to dispose of the Sale Interest to minimise potential negative impacts.

Having principally considered that (i) the Disposal would not affect the ongoing operations of the major businesses of the Group; (ii) the Judgment may have impaired the reputation, financial position and business operations of Lanling Pharmaceutical and therefore the future profitability of Lanling Pharmaceutical in the upcoming years is uncertain; (iii) the probability for Lanling Pharmaceutical to be involved in further claims or penalties is also uncertain; (iv) the Group can realise its investments in Lanling Pharmaceutical; (v) the Group can be released from any potential adverse impacts that might arise from Lanling Pharmaceutical; (vi) the Group may not be able to secure alternative deals on terms that are no less favourable than those of the Equity Transfer Agreement in the short run to dispose of the Sale Interest to minimise potential negative impacts; and (vii) the terms of the Equity Transfer Agreement are fair and reasonable as discussed below, we are of the view that the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

### **2. Principal terms of the Equity Transfer Agreement**

Pursuant to the Equity Transfer Agreement, the Company conditionally agreed to sell and Kameo conditionally agreed to acquire the Sale Interest, being approximately 39% of the equity interest in Lanling Pharmaceutical. Upon Completion, the Company will no longer hold any equity interest in Lanling Pharmaceutical and will cease to have any rights and obligations in Lanling Pharmaceutical.

The total amount of the Consideration of approximately RMB28 million will be paid in cash by Kameo, approximately RMB8 million of which would be paid within 30 days from the date of the Equity Transfer Agreement and the balance would be paid within 30 days from the effective date of the Equity Transfer Agreement. The Consideration was determined after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the appraised net assets of Lanling Pharmaceutical attributable to the Sale Interest as at 29 February 2012 of approximately RMB22 million as conducted by an independent valuer registered in the PRC (the "**Independent Valuer**").

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We have reviewed the valuation report prepared by the Independent Valuer and have discussed with the Independent Valuer regarding the methodology of and principal basis and assumptions adopted for the valuation of Lanling Pharmaceutical. We understand that the common valuation approaches are the market approach, the income approach and the asset-based approach. We further understand from the Independent Valuer that the adoption of the market approach may not be appropriate because, amongst others, the Judgment may have affected the comparability of Lanling Pharmaceutical with other pharmaceutical companies in the market and the adoption of the income approach may also not be appropriate because the future profitability of Lanling Pharmaceutical in the upcoming years is uncertain due to the Judgment. Hence the Independent Valuer has adopted the asset-based approach, which is a common valuation approach for the case of Lanling Pharmaceutical. In addition, we have interviewed the Independent Valuer as to its expertise and we have obtained knowledge about the qualification and experience of the Independent Valuer. Based on our discussion with the Independent Valuer and also with the management team of the Group, we understand that (i) apart from the provision of two appraisal services to the Group in 2007 and 2009, the Independent Valuer has no other current or prior relationships with the Company, Kameo and connected persons of either the Company or Kameo; and (ii) we are not aware the Company or Kameo has made formal or informal representations to the Independent Valuer. During the course of our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the valuation of Lanling Pharmaceutical.

For our assessment of the Consideration, we have exhaustively identified companies listed on the Stock Exchange that are comparable to Lanling Pharmaceutical, being principally engaged in the production of pharmaceutical products. Given the Consideration amounted to only approximately RMB28 million and in order to enhance the comparability of the numerous comparable companies, we have limited our analysis to those with market capitalisation of less than HK\$1,000 million (the “**Comparable Companies**”). Independent Shareholders should note that the comparison with Comparables Companies is only for general reference purposes given that the particulars of the business and financial aspects and prospects of the Comparable Companies may not be exactly identical to those of Lanling Pharmaceutical. Given that the net profit of Lanling Pharmaceutical for the latest financial year is distorted by the provision in relation to the Judgment and the future profitability of Lanling Pharmaceutical is uncertain as discussed above, we consider a comparable analysis of the price to earnings ratio may not be appropriate. Hence, we have reviewed the price to book value ratio (the “**P/B Ratio**”) of the Comparable Companies based on information extracted from the website of the Stock Exchange.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

<b>Company name (Stock code)</b>	<b>Principal business</b>	<b>Market capitalisation<sup>(1)</sup> (HK\$ million)</b>	<b>P/B Ratio<sup>(2)</sup> (times)</b>
Dragonite International Limited (329 HK)	Production and sales of healthcare products, pharmaceutical products, atomizing cigarettes, securities trading and investments and property investment	71	0.30
Lansen Pharmaceutical Holdings Limited (503 HK)	Manufacturing and trading of pharmaceutical products	950	1.29
China Grand Pharmaceutical and Healthcare Holdings Limited (512 HK)	Manufacture and sales of pharmaceutical and healthcare products	653	1.08
Shandong Xinhua Pharmaceutical Company Limited (719 HK)	Development, manufacturing and sales of bulk pharmaceuticals, pharmaceutical preparations, chemical and other products	947	0.45
Wai Yuen Tong Medicine Holdings Limited (897 HK)	Production and sales of Chinese and Western pharmaceutical and health food products	242	0.17
Asia Resources Holdings Limited (899 HK)	Manufacture and sales of pharmaceutical products and iron mining	167	0.31
Essex Bio-Technology Limited (1061 HK)	Development, manufacture and sales of biopharmaceutical products	412	2.87
Wuyi International Pharmaceutical Company Limited (1889 HK)	Development, manufacturing, marketing and sales of pharmaceutical products	804	0.42
Jilin Province Huinan Changlong Bio-pharmacy Company Limited (8049 HK)	Manufacture and distribution of biochemical medicines	493	1.21
Shenzhen Neptunus Interlong Bio-technique Company Limited (8329 HK)	Manufacturing and selling of medicine products and provision of research and development services of modern biological technology	638	1.24
		Maximum:	2.87
		Mean:	0.93
		Median:	0.77
		Minimum:	0.17
	<b>The Consideration (based on appraised net assets) <sup>(3)</sup>:</b>		<b>1.27</b>
	<b>The Consideration (based on book value of net assets) <sup>(4)</sup>:</b>		<b>1.87</b>

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

- (1) The market capitalisation is derived from multiplying the number of shares as disclosed in the latest monthly return and closing share price as at the date of the Equity Transfer Agreement.
- (2) The P/B Ratio is derived from dividing the market capitalisation by net assets attributable to shareholders as disclosed in the latest published financial statement as at the date of the Equity Transfer Agreement.
- (3) The P/B Ratio of the Consideration is derived from dividing the Consideration of approximately RMB28 million by the appraised net assets of Lanling Pharmaceutical attributable to the Sale Interest as at 29 February 2012 as conducted by the Independent Valuer of approximately RMB22 million.
- (4) The P/B Ratio of the Consideration is derived from dividing the Consideration of approximately RMB28 million by the net assets of Lanling Pharmaceutical attributable to the Sale Interest as at 29 February 2012 based on the Target Management Accounts of approximately RMB15 million.
- (5) Unless otherwise specified, currencies used in deriving information in the above table are converted by the rates of RMB0.81 to HK\$1.00 and US\$1.00 to HK\$7.8 for illustrative purposes.

With reference to the above table, we note that the P/B Ratio of the Consideration is within the range and above the mean and median of those of the Comparable Companies. Based on the above, we are of the view that the basis of determining the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Possible financial effects of the Disposal

(a) *Earnings*

As disclosed in the 2011 Annual Report, the Group recorded profit attributable to Shareholders of approximately RMB41 million for the year ended 31 December 2011. With reference to the Target Audited Accounts, Lanling Pharmaceutical recorded net profit of approximately RMB2 million for the year ended 31 December 2011. We are advised that the Group is expected to record a non-recurring gain on the Disposal upon Completion (the “**One-off Gain**”) and, according to the letter from the Board, the One-off Gain is estimated to be approximately RMB11 million, where the actual amount will be determined based on the net assets of Lanling Pharmaceutical on the date of Completion. We are also advised that that the Group will no longer hold any equity interest in Lanling Pharmaceutical and Lanling Pharmaceutical will cease to be an associate of the Company, therefore the share of profit or loss of Lanling Pharmaceutical will no longer be equity accounted for in the statement of comprehensive income of the Group upon Completion. As previously discussed, the Disposal not only allows the Group to realise its investments in Lanling Pharmaceutical, but also releases the Group from any potential adverse impacts that might arise from Lanling Pharmaceutical.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

(b) *Net assets*

As disclosed in the 2011 Annual Report, the Group recorded net assets attributable to Shareholders of approximately RMB426 million as at 31 December 2011. According to the Target Management Accounts, Lanling Pharmaceutical recorded net assets of approximately RMB38 million as at 29 February 2012. We are advised that net assets of the Group will be increased by the amount of the One-off Gain upon Completion. We are also advised that the Group will no longer hold any equity interest in Lanling Pharmaceutical and Lanling Pharmaceutical will cease to be an associate of the Company, therefore the financial position of Lanling Pharmaceutical will no longer be equity accounted for in the balance sheet of the Group upon Completion.

(c) *Working capital*

As disclosed in the 2011 Annual Report, the Group had cash and cash equivalents of approximately RMB60 million as at 31 December 2011. We are advised that the Consideration of approximately RMB28 million will be fully settled in cash, therefore the working capital of the Group is expected to improve upon Completion.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Eric Lee**

*Managing Director*

**Fanny Lee**

*Managing Director*

**Summary of the Valuation Report for the Total Shareholders' Equity Value of  
常州蘭陵製藥有限公司 (Changzhou Lanling Pharmaceutical Production Co., Ltd.)  
Involved in the Equity Transfer of  
常茂生物化學工程股份有限公司 (Changmao Biochemical Engineering Company Limited\*)  
(Suzhong Zi Baoping Zi (2012) No. 10)**

The following contents are summarised from the full text of the valuation report (Suzhong Zi Baoping Zi (2012) No. 10) issued by 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited\*, “**Jiangsu Zhongtian**”) dated 8 March 2012 with respect to the valuation of the total shareholders' equity value of Changzhou Lanling Pharmaceutical Production Co., Ltd., certain equity of which is intended to be transferred by 常茂生物化學工程股份有限公司 (Changmao Biochemical Engineering Company Limited).

Jiangsu Zhongtian has been engaged by Changmao Biochemical Engineering Company Limited to assess the market value of the total shareholders' equity value of Changzhou Lanling Pharmaceutical Production Co., Ltd. which is involved in the equity transfer of Changmao Biochemical Engineering Company Limited, as at the reference date of valuation.

1. **Purpose of valuation:** to determine the market value of the total shareholders' equity of Changzhou Lanling Pharmaceutical Production Co., Ltd. so as to provide a value reference for the proposed equity transfer by Changmao Biochemical Engineering Company Limited
2. **Target and scope of valuation:** the target of valuation is the total shareholders' equity of Changzhou Lanling Pharmaceutical Production Co., Ltd. and the scope of valuation is the total assets and liabilities declared by Changzhou Lanling Pharmaceutical Production Co., Ltd., specifically, the items shown on the balance sheet of Changzhou Lanling Pharmaceutical Production Co., Ltd. as at 29 February 2012 provided by Changzhou Lanling Pharmaceutical Production Co., Ltd..
3. **Valuation reference date:** 29 February 2012
4. **Valuation method and value type**

This valuation has been conducted in compliance with the relevant rules and regulations related to assets valuation in the PRC and on the working principles of independence, objectiveness and science as well as the relevant economic principles including among others the going-concern principle, the principle of substitution and the principle of open market. This valuation is conducted based on the existing status of the assets to be evaluated and the current market prices, and under the preconditions that the assets are to be used continuously and there exists an open market. This valuation has been conducted using the asset-based method and the type of the assessment value is market value.

\* For identification purpose only

**5. Assumptions of valuation**

This valuation has been conducted based on the following assumptions:

- (1) Changzhou Lanling Pharmaceutical Production Co., Ltd. will continue its operations after 29 February 2012;
- (2) Changzhou Lanling Pharmaceutical Production Co., Ltd. has operated in compliance with the relevant laws and regulations;
- (3) The financial report and all other information provided by Changzhou Lanling Pharmaceutical Production Co., Ltd. are true and reliable;
- (4) There is no material change in the current national and local laws, regulations, policies and economic environment in which Changzhou Lanling Pharmaceutical Production Co., Ltd. operates;
- (5) There is no material change in the current credit, interest rate, exchange rate and market conditions;
- (6) Changzhou Lanling Pharmaceutical Production Co., Ltd. has not made material error in implementation of its various business and operation plans; and
- (7) There is no material adverse impact arising from other force majeure and unforeseeable factors.

**6. Conclusion of valuation**

The evaluators of Jiangsu Zhongtian has conducted necessary survey and verification on all the assets and liabilities under the scope of this valuation, carried out necessary due diligence work on, among others, corporate operation, finance and planning, conducted necessary assessment procedures such as verification, investigation, estimate, analysis and adjustment on the information including among others legal documents and financial records provided by the enterprise to be evaluated.

The conclusion of valuation of the total shareholders' equity value which is engaged to be assessed is as follows:

As at 29 February 2012, being the valuation reference date, the total assets, the total liabilities and the total shareholders' equity declared by the enterprise to be evaluated (being Changzhou Lanling Pharmaceutical Production Co., Ltd.) amounted to RMB154,016,300, RMB116,306,700 and RMB37,709,600, respectively. After check and adjustment, the total assets, the total liabilities and the total shareholders' equity amounted to RMB154,016,300, RMB116,306,700 and RMB37,709,600, respectively.

After being assessed using asset-based method, the appraised total assets, the appraised total liabilities and the appraised total shareholders' equity amounted to RMB171,972,000, RMB116,306,700 and RMB55,665,300 respectively, and the appreciation and the appreciation rate of the total shareholders' equity amounted to RMB17,955,700 and 47.62%, respectively.

Please see the following table for the details of the valuation conclusion.

*The enterprise to be evaluated: Changzhou Lanling  
Pharmaceutical Production Co., Ltd.*

*Amount unit: RMB'0000*

Item	Carrying value A	Adjusted carrying value B	Assessment value C	Appreciation or depreciation D=C-B	Appreciation rate % E=(C-B)/B*100
Current assets	9,411.33	9,411.33	9,459.59	48.26	0.51%
Long-term investments	11.48	11.48	70.88	59.40	517.42%
Fixed assets	4,526.43	4,526.43	4,868.22	341.79	7.55%
Including: construction in progress	317.47	317.47	246.71	-70.76	-22.29%
Buildings	2,097.85	2,097.85	2,497.69	399.84	19.06%
Equipments	2,111.11	2,111.11	2,123.82	12.71	0.60%
Intangible assets	1,274.10	1,274.10	2,620.22	1,346.12	105.65%
Including: land use rights	1,274.10	1,274.10	2,620.22	1,346.12	105.65%
Other assets	178.30	178.30	178.30		
<b>Total assets</b>	<b>15,401.63</b>	<b>15,401.63</b>	<b>17,197.20</b>	<b>1,795.57</b>	<b>11.66%</b>
Current liabilities	11,630.67	11,630.67	11,630.67		
<b>Total liabilities</b>	<b>11,630.67</b>	<b>11,630.67</b>	<b>11,630.67</b>		
<b>Net assets</b>	<b>3,770.96</b>	<b>3,770.96</b>	<b>5,566.53</b>	<b>1,795.57</b>	<b>47.62%</b>

*Two decimal places shall be retained after the decimal point*

After valuation, the appraised value of the total shareholders' equity of Changzhou Lanling Pharmaceutical Production Co., Ltd. amounted to RMB55,665,300.

7. This valuation conclusion is only effective for the economic behaviors of equity transfer of Changmao Biochemical Engineering Company Limited. The effective period of this valuation report is one year, namely from 29 February 2012 to 28 February 2013. Revaluation on the assets is required if the period is over one year.

#### 8. The explanations for special matters

(1) As for the scope of this engagement, the items shown on the balance sheet as at 29 February 2012 provided by Changzhou Lanling Pharmaceutical Production Co., Ltd. shall prevail. As for the details, the declaration list provided by Changzhou Lanling Pharmaceutical Production Co., Ltd. shall prevail, and the entrusting party and the enterprise to be evaluated shall be responsible for the completeness of the assets declaration.

- (2) Property ownership certificates for some buildings with an area of 3,164.13 square meters among the properties of Changzhou Lanling Pharmaceutical Production Co., Ltd. in this engagement have not been obtained. In the assessment, the area of this part of buildings is determined on the basis of the actual area of site survey and the relevant information and contracts, construction completion information provided by the assessed enterprise. If there is difference in the area determined by the statutory property mapping agency after the valuation reference date, the valuation conclusion shall be adjusted accordingly.
- (3) The case filed by 上海長征醫院 (Shanghai Changzheng Hospital\*) and 常州高新技術產業開發區三維工業技術研究所有限公司 (Changzhou High-tech Industrial Development Zone Sanwei Industrial Technology Research Institute Company Limited\*, “Sanwei”) against Changzhou Lanling Pharmaceutical Production Co., Ltd. with respect to the violation of levocarnitine processing contracts has obtained the judgment of first instance by Changzhou Intermediate People’s Court. Changzhou Lanling Pharmaceutical Production Co., Ltd. refused to obey the judgment of first instance and currently has appealed to Jiangsu Province Higher People’s Court, and Jiangsu Province Higher People’s Court has accepted the case on 5 August 2011. In accordance with Changzhou Intermediate People’s Court of Jiangsu Province (2009) Chang Min Er Chu Zi No. 123 Paper of Civil Judgment, Changzhou Lanling Pharmaceutical Production Co., Ltd. has made provision for the payments to 上海長征醫院 (Shanghai Changzheng Hospital) and Sanwei in relation to the raw material cost with an amount of RMB3,545,573.15 and the sales proceeds of levocarnitine medicines with an amount of RMB45,761,124 and the litigation cost of RMB284,111. This valuation has taken the carrying amount of such provision as the appraised value.
- (4) Based on the land use certificates and the illustration of land conditions provided by Changzhou Lanling Pharmaceutical Production Co., Ltd., the area set out in the land use right certificates owned by Changzhou Lanling Pharmaceutical Production Co., Ltd. amounted to 74,891.4 square meters, including the granted land area of 71,658.4 square meters and the appropriated land area of 3,233 square meters. According to the valuation engagement contract, the appropriated land shall not be included in the scope of this engagement. In addition, in respect of the land use rights for the area of 74,891.4 square meters owned by Changzhou Lanling Pharmaceutical Production Co., Ltd., a land requisition compensation agreement has been entered into with respect to a portion of land with an area of 1,432.3 square meters (including the appropriated land of 1,396.5 square meters and the granted land of 35.8 square meters) on 28 September 2011. However, the requisition matter has not been implemented as of the date of the valuation report and it is uncertain about the timing when it will be implemented and completed. Therefore, this valuation has not taken into account the impact of the above-mentioned land requisition matter on the valuation conclusion.
- (5) With respect to the equipments to be evaluated, if an equipment satisfies with the requirements of The Provisional Regulations of the People’s Republic of China on Value Added Tax (2008) and the value added tax for purchasing such equipment is deductible, the deductible value added tax has been deducted when calculating the total price of replacement.

\* For identification purpose only

- (6) Changzhou Lanling Pharmaceutical Production Co., Ltd. provided financing guarantees of up to RMB26 million and RMB22.8 million to Changzhou Branch of Industrial and Commercial Bank of China Limited with the state-owned land use right of 71,658.4 square meters and the buildings of 26,469.81 square meters, respectively. As at 29 February 2012, the balance of the secured loan amounted to RMB20 million (among which RMB6.3 million will be expired on 22 May 2012, RMB5 million will be expired 19 July 2012 and RMB8.7 million will be expired on 3 August 2012).
- (7) Changzhou Lanling Pharmaceutical Production Co., Ltd. provided credit guarantee for 常州曙光化工廠 (Changzhou Shuguang Chemical Factory\*) on the loan of RMB15 million from Changzhou Branch of Industrial and Commercial Bank of China Limited.
- (8) This valuation has not taken into account the effects of the discount on liquidity of the shareholders' equity to be evaluated and the discount on minority interest on the valuation conclusion.

\* *For identification purpose only*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests or short positions of each Director, supervisor and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follow:

### Long positions in the shares:

#### (I) the Company

Director	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares (Note (l))	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (m))
Mr. Rui	Interest of spouse, interest of controlled corporation, trustee (other than a bare trustee) and custodian (Note (a))	2,500,000	100%	135,000,000	39.30%
Ms. Leng Yi Xin ("Ms. Leng")	Interest of spouse and interest of controlled corporation (Note (b))	2,500,000	100%	135,000,000	39.30%
Mr. Pan Chun ("Mr. Pan")	(Note (c))	–	–	(Note (c))	(Note (c))
Mr. Zeng Xian Biao ("Mr. Zeng")	(Note (d))	–	–	(Note (d))	(Note (d))

	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares (Note (l))	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (m))
Mr. Yu	Interest of spouse and interest of controlled corporation (Note (e))	-	-	66,000,000	19.21%
Prof. Ouyang Ping Kai ("Prof. Quyang")	(Note (f))	-	-	(Note (f))	(Note (f))
Prof. Yang Sheng Li ("Prof. Yang")	(Note (g))	-	-	(Note (g))	(Note (g))
<b>Supervisor</b>					
Ms. Zhou Rui Juan ("Ms. Zhou")	(Note (h))	-	-	(Note (h))	(Note (h))
Mr. Lu He Xing ("Mr. Lu")	(Note (i))	-	-	(Note (i))	(Note (i))
Mr. Wan Yi Dong ("Mr. Wan")	(Note (j))	-	-	(Note (j))	(Note (j))
Prof. Jiang Yao Zhong ("Prof. Jiang")	(Note (k))	-	-	(Note (k))	(Note (k))

*Notes:*

- a) The 135,000,000 Foreign Shares are held by Hong Kong Xinsheng Pioneer Investment Company Limited ("HK Xinsheng Ltd") and the 2,500,000 Domestic Shares are held by 常州新生生化科技開發有限公司 ("Changzhou Xinsheng"). The issued share capital in HK Xinsheng Ltd comprises 170,000 Class "A" shares of HK\$1 each and 100,000 Class "B" shares of HK\$1 each. Mr. Rui is the registered holder and beneficial owner of 96,500 Class "A" shares. He is also the registered holder of 53,000 Class "B" shares and holds such shares as trustee in respect of a discretionary trust for the group of persons who made contribution to the Company or who from time to time make contribution to the Company. Mr. Rui is the registered holder and beneficial owner of 70% of the registered capital of Changzhou Xinsheng. Ms. Leng, a Director and the spouse of Mr. Rui, is also interested in HK Xinsheng Ltd and Changzhou Xinsheng, details of which are set out in Note (b) below.
- b) Ms. Leng is the registered holder and beneficial owner of 73,500 Class "A" shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class "A" shares of HK\$1 each and 100,000 Class "B" shares of HK\$1 each. Ms. Leng is the registered holder and beneficial owner of 30% of the registered capital of Changzhou Xinsheng, which is the registered holder and beneficial owner of 2,500,000 Domestic Shares. Mr. Rui, a Director and the spouse of Ms. Leng, is also interested in HK Xinsheng Ltd and Changzhou Xinsheng, details of which are set out in Note (a) above.



- c) Mr. Pan is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each. He is also the registered holder and beneficial owner of 200,000 shares of HK\$0.01 each in Hong Kong Bio-chemical Advanced Technology Investment Company Limited (“HK Biochem Ltd”), which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each.
- d) Mr. Zeng is the registered holder and beneficial owner of 380,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each. Mr. Zeng is also the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- e) Mr. Yu and his wife (who is not a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares.
- f) Prof. Ouyang is the registered holder and beneficial owner of 4,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- g) Prof. Yang is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- h) Ms. Zhou is the registered holder and beneficial owner of 220,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each.
- i) Mr. Lu is the registered holder and beneficial owner of 220,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each.
- j) Mr. Wan is the registered holder and beneficial owner of 4,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- k) Prof. Jiang is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- l) The percentage is calculated based on the 2,500,000 Domestic Shares in issue as at the Latest Practicable Date.
- m) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at the Latest Practicable Date.

**(II) associated corporation of the Company – 常州蘭陵製藥有限公司 (Changzhou Lanling Pharmaceutical Production Co., Ltd.)**

Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Rui	Interest of controlled corporation (Note (a))	3,125,000	12.5%
Mr. Yu	Interest of controlled corporation (Note (b))	8,000,000	32.0%

*Notes:*

- (a) Such interest is held by a company of which Mr. Rui is interested in the entire share capital.
- (b) Such interest is held by certain companies of which Mr. Yu and his associates are interested in the entire share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company have interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (including interests in shares and short positions) which were required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

### 3. PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors, the following persons, other than a Director, supervisor or chief executive of the Company, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were substantial Shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the Shares:

Name of Shareholder	Capacity	Number of the Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (f))
Hong Kong Xinsheng Pioneer Investment Company Limited	Beneficial owner	135,000,000	39.30%
Hong Kong Bio-chemical Advanced Technology Investment Company Limited	Beneficial owner	67,500,000	19.65%
Union Top Development Limited	Interest of controlled corporation	67,500,000 (Note (a))	19.65%
Ms. Rakchanok Sae-lao	Interest of controlled corporation	67,500,000 (Note (b))	19.65%
Jomo Limited	Beneficial owner	66,000,000	19.21%
Ms. Lam Mau	Interest of spouse and interest of controlled corporation	66,000,000 (Note (c))	19.21%
Kehai Venture Capital (Hong Kong) Limited	Beneficial owner	62,500,000	18.20%
上海科技投資股份有限公司 (Shanghai Technology Investment Company Limited)	Interest of controlled corporation	62,500,000 (Note (d))	18.20%
上海科技投資公司 (Shanghai Technology Investment Company)	Interest of controlled corporation	62,500,000 (Note (e))	18.20%

*Notes:*

- a) Union Top Development Limited is the beneficial owner of 37.03% of the issued share capital of Hong Kong Bio-chemical Advanced Technology Investment Company Limited, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares.
- b) Ms. Rakchanok Sae-lao is the beneficial owner of 100% of the issued share capital of Union Top Development Limited, which is the beneficial owner of 37.03% of the issued share capital of Hong Kong Bio-chemical Advanced Technology Investment Company Limited. Hong Kong Bio-chemical Advanced Technology Investment Company Limited is the registered holder and beneficial owner of 67,500,000 Foreign Shares.
- c) Ms. Lam Mau and her spouse, Mr. Yu Xiao Ping (who is a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares.
- d) Shanghai Technology Investment Company Limited is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited, which is the registered holder and beneficial owner of 62,500,000 Foreign Shares.
- e) Shanghai Technology Investment Company is the beneficial owner of 62.3% of the issued share capital of Shanghai Technology Investment Company Limited, which is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited. Kehai Venture Capital (Hong Kong) Limited is the registered holder and beneficial owner of 62,500,000 Foreign Shares.
- f) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any person, not being a Director, supervisor or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were substantial Shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by any relevant member of the Group within one year without payment of compensation, other than statutory compensation).

#### **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

#### **6. DIRECTORS' INTERESTS IN ASSET AND/OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

## 7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes with the business of the Group.

## 8. EXPERTS AND CONSENTS

- a) The following is the qualification of the experts who have given an opinion, letter or advice which are contained in this circular:

Name	Qualification
First Shanghai	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited*)	a qualified PRC valuation institution licensed to undertake assets appraisal business by the Ministry of Finance of the PRC and China Securities Regulatory Commission

- b) As at the Latest Practicable Date, none of First Shanghai and 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited) has any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- c) As at the Latest Practicable Date, none of First Shanghai and 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited) has a direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.
- d) First Shanghai and 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited) have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letter or valuation report (as the case may be) and references to their names in the form and context in which they are included.

\* For identification purpose only

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Room 54, 5/F, New Henry House, 10 Ice House Street, Central, Hong Kong from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m., Mondays to Fridays (except public holidays), from the date of this circular up to and including the date of the EGM (or any adjournment thereof):

- a) the letter of advice from First Shanghai, the text of which is set out in pages 14 to 22 of this circular;
- b) the Equity Transfer Agreement;
- c) the written consents of First Shanghai and 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited\*) referred to in the section headed "Experts and Consents" in this appendix;
- d) the PRC valuation report issued by 江蘇中天資產評估事務所有限公司 (Jiangsu Zhongtian Assets Appraisal Company Limited) dated 8 March 2012, the summary of which is set out in Appendix I to this circular; and
- e) this circular.

\* *For identification purpose only*

---

## NOTICE OF EGM

---



常茂生物化學工程股份有限公司  
**Changmao Biochemical Engineering Company Limited\***

*(a joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 8208)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Changmao Biochemical Engineering Company Limited\* (the “**Company**”) will be held at 11:00 a.m. on 21 May 2012 at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution to be proposed as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- a) the conditional equity transfer agreement (the “**Equity Transfer Agreement**”) dated 16 March 2012 entered into between the Company and Kameo Limited (“**Kameo**”), pursuant to which the Company has conditionally agreed to sell, and Kameo has conditionally agreed to acquire 38.78% of the equity interest in Changzhou Lanling Pharmaceutical Production Co., Ltd., at the consideration of RMB28,115,500, and the transactions contemplated thereunder and in connection therewith and any other ancillary documents, be and are hereby approved, ratified and/or confirmed;
- b) any director of the Company (the “**Director(s)**”) be and he/she is hereby authorised to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the all such documents and deeds, to do or authorise the doing of all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the Equity Transfer Agreement and the transactions contemplated thereunder, as he/she may in his/her absolute discretion consider to be desirable and in the interests of the Company and all of such Director’s acts as aforesaid be and is hereby approved, ratified and confirmed.”

By order of the board of the Directors  
**Changmao Biochemical Engineering Company Limited\***  
**Rui Xin Sheng**  
*Chairman*

Jiangsu Province, the PRC, 3 April 2012

\* For identification purpose only

---

## NOTICE OF EGM

---

*Notes:*

- (1) Holders of H Shares are advised that the register of members of the Company will close from 20 April 2012 to 21 May 2012 (both days inclusive), during which time no transfer of H Shares will be effected and registered. Holders of Shares whose names appear on the register of members of the Company at the close of business on 19 April 2012 are entitled to attend the EGM. In order to qualify for attendance and voting at the EGM, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's share registrar and transfer office for H Shares, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on 19 April 2012.
- (2) Shareholders who intend to attend the EGM should complete and lodge the accompanying reply slip and return it, in the case of holders of Domestic Shares and Foreign Shares, to the Company's principal place of business in Hong Kong, in the case of holders of H Shares, to the Company's H share registrar on or before 30 April 2012. The reply slip may be delivered by hand, by post or by fax, in the case of holders of Domestic Shares and Foreign Shares, to the Company's principal place of business in Hong Kong, in the case of holders of H Shares, to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. Completion and return of the reply slip do not affect the right of a shareholder to attend the EGM.
- (3) Every shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are shareholders of the Company, to attend and vote on his behalf at the EGM.
- (4) A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointer or his attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited, in the case of holders of Domestic Shares and Foreign Shares, at the Company's principal place of business in Hong Kong, in the case of holders of H Shares, at the Company's H share registrar not less than 24 hours before the time appointed for the holding of the EGM. If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy, in the case of holders of Domestic Shares and Foreign Shares, at the Company's principal place of business in Hong Kong, in the case of holders of H Shares, at the Company's H share registrar.
- (5) Shareholders and their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.
- (6) The address of Computershare Hong Kong Investor Services Limited is:  
17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong  
Tel No. (852) 2862 8628  
Fax No. (852) 2865 0990  
  
The address of the Company's principal place of business in Hong Kong is:  
Room 54, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong  
Tel No. (852) 2525 2242  
Fax No. (852) 2525 6994