



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 March 2012**

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Changmao Biochemical Engineering Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purposes of giving information with regard to Changmao Biochemical Engineering Company Limited*. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 in this announcement misleading.*

* For identification purpose only

RESULTS

The board of Directors (the “Board”) of Changmao Biochemical Engineering Company Limited (the “Company” or “Changmao”) is pleased to present the unaudited results of the Company and its subsidiary (collectively referred to as the “Group”) for the three months ended 31 March 2012 together with the unaudited comparative figures for the corresponding period in 2011 as follows:

		Unaudited	
		For the three months ended	
		31 March	
	<i>Note</i>	2012	2011
		Rmb'000	<i>Rmb'000</i>
Turnover	2	159,494	142,202
Cost of sales		(133,952)	(111,290)
Gross profit		25,542	30,912
Other income		2,879	837
Other losses, net		(48)	(309)
Selling expenses		(4,712)	(2,687)
Administrative expenses		(15,670)	(16,639)
Operating profit		7,991	12,114
Finance costs, net	3	(2,815)	(1,441)
Share of profit of an associate		836	4,628
Profit before income tax		6,012	15,301
Income tax expense	4	(514)	(1,784)
Profit for the period		5,498	13,517
Other comprehensive income –currency translation difference		6	20
Total comprehensive income for the period		<u>5,504</u>	<u>13,537</u>
Profit for the period attributable to:			
Equity holders of the Company		5,603	13,371
Non-controlling interests		(105)	146
		<u>5,498</u>	<u>13,517</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		5,609	13,391
Non-controlling interests		(105)	146
		<u>5,504</u>	<u>13,537</u>
Earnings per share for profit attributable to equity holders of the Company – basic and diluted	5	<u>Rmb0.011</u>	<u>Rmb 0.025</u>

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of GEM Listing Rules. They have been prepared under historical cost convention, as modified by derivative financial instruments which are at fair value.

2 TURNOVER

The Group is principally engaged in the production and sale of organic acids. Turnover represents sales of organic acids for the period.

3 FINANCE COSTS, NET

	For the three months ended	
	31 March	
	2012	2011
	Rmb'000	Rmb'000
Interest on bank borrowings – wholly repayable within five years	2,958	1,635
Interest income on bank deposits	(143)	(194)
	<hr/>	<hr/>
Net finance costs	2,815	1,441
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4 INCOME TAX EXPENSE

PRC Corporate Income Tax (“CIT”) is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The Company, being registered as a New and High Technology Enterprise since 2008, is entitled to a preferential CIT rate of 15%. Other subsidiaries of the Group in Mainland China are subject to a standard tax rate of 25%.

The amount of income tax charged to consolidated statement of comprehensive income represents:

	For the three months ended	
	31 March	
	2012	2011
	Rmb'000	Rmb'000
Current income tax		
– Provision for CIT	589	1,816
– Under-provision in respect of prior year	–	14
Deferred income tax	(75)	(46)
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	514	1,784
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The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated entities as follows:

	For the three months ended	
	31 March	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before income tax	6,012	15,301
Adjustment: Share of profit of an associate	(836)	(4,628)
	<u>5,176</u>	<u>10,673</u>
Calculated at the tax rates applicable to results of the respective consolidated entities	695	1,765
Income not subject to tax	(6)	(28)
Expenses not deductible for tax purposes	16	–
Tax losses for which no deferred income tax asset was recognised	139	125
Utilisation of tax losses for which no deferred income tax asset was recognised	–	(92)
Under-provision in respect of prior year	–	14
Others	(330)	–
Income tax expense	<u>514</u>	<u>1,784</u>

5 EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2012 is based on the profit attributable to equity holders of the Company of approximately Rmb5,603,000 (Corresponding period in 2011: Rmb 13,371,000) and the 529,700,000 shares (Corresponding period in 2011: 529,700,000 shares) in issue during the period.

The Company had no dilutive potential shares in issue during the period (Corresponding period in 2011: Nil).

6 DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2012 (Corresponding period in 2011: Nil).

In addition, the final dividend of Rmb0.024 (inclusive of tax) per share for the year ended 31 December 2011 recommended by the Directors on 16 March 2012 is to be approved by the shareholders at the Annual General Meeting on 21 May 2012. This final dividend, totalling approximately Rmb12,713,000 has not been recognised as a liability in this financial information. It will be recognised in shareholders' equity in the year ending 31 December 2012.

7 INVESTMENT IN AN ASSOCIATE

On 16 March 2012, the Company entered into a conditional agreement to dispose all of its equity interest in its associate (38.78%), Changzhou Lanling Pharmaceutical Production Co., Ltd. at a consideration of approximately Rmb28,116,000. This disposal is subject to the approval by independent shareholders at the extraordinary general meeting to be held on 21 May 2012.

8 RESERVES

	Share premium Rmb'000	Statutory common reserve Rmb'000	Capital reserve Rmb'000	Translation reserve Rmb'000	Retained earnings Rmb'000	Total Rmb'000
At 1 January 2011	102,559	49,504	461	25	201,779	354,328
Profit for the period	-	-	-	-	13,371	13,371
Other comprehensive income – currency translation difference – Group	-	-	-	20	-	20
At 31 March 2011	<u>102,559</u>	<u>49,504</u>	<u>461</u>	<u>45</u>	<u>215,150</u>	<u>367,719</u>

Representing:

2010 proposed final dividend
Others

22,777

192,373

215,150

	Share premium Rmb'000	Statutory common reserve Rmb'000	Capital reserve Rmb'000	Translation reserve Rmb'000	Retained earnings Rmb'000	Total Rmb'000
At 1 January 2012	102,559	53,622	461	(6)	215,989	372,625
Profit for the period	-	-	-	-	5,603	5,603
Other comprehensive income – currency translation difference – Group	-	-	-	6	-	6
At 31 March 2012	<u>102,559</u>	<u>53,622</u>	<u>461</u>	<u>-</u>	<u>221,592</u>	<u>378,234</u>

Representing:

2011 proposed final dividend
Others

12,713

208,879

221,592

REVIEW AND PROSPECT

Business review

In the first quarter of 2012, the production and operation of the Group were stable while its international collaboration projects, research and development and management condition achieved the goals of the Group. The Group developed with a fairly fast economic growth pace and increasing economic vitality.

The Group recorded a turnover of approximately Rmb159,494,000 for the three months ended 31 March 2012, which represented an increase of approximately 12% compared to the corresponding period in last year; and a net profit of approximately Rmb5,603,000, which represented a decrease of approximately 58% compared to the corresponding period in last year.

In 2012, sales volume of the major products of the Group such as malic acid and tartaric acid has increased as compared to the corresponding period of last year. However, raw material price has surged fairly fast and increased by approximately 10% as compared to the corresponding period of last year. In addition, the increase in labour cost and other expenses also directly increased the production cost of the Group. The extent of increase in product selling price is less than that of raw material and finally caused the decrease in gross margin and net profit of the Group.

In the first quarter, the Group has based on the requirements of ISO14001, ISO9001 and HACCP to carry out safe and standardised production. It has perfected the environmental system and increased product quality. At the same time, the Group made effort on the application of FSSC22000 quality management system to enhance its quality management system and promote internationalisation of the management system.

In the first quarter, the Group's production was stable, product quality has been enhanced and has become a supplier of a well known international enterprise. The modification of the production line of aspartame was smooth and it is now more in line with the requirements of food safety production. The Group's excellent sales team has grasped the market opportunities and smoothly carried out the sales work of different products, continuously increase the brand awareness and customer recognition of the Group and has contributed to the development of the Group.

Future and Prospect

Domestic and overseas economic conditions are facing more and more uncertainties, and there will always be fierce competition. In response, the Group will further enhance its ability to fend off market fluctuations, speed up the adjustment of its product mix by economies of scale as well as strong research, development and marketing capability, continue to develop new products and continue to expand into new markets to capture growth opportunities. In 2012, the Group will concentrate on the following areas:

(I) Optimising product mix and facilitating product upgrade

The Group will continue to consolidate its core products and bring into play the economies of scale by actively developing natural food additives. Soybean and sweet corn and other natural renewable resources are raw materials of natural organic acid food additive. Natural organic acid food additive is conform to world health and natural trend. It will contribute to the Group's future development. Meanwhile, the Group will put more efforts into technology innovation to consolidate its existing resources and research team, build a more optimised product mix through cultivating new product categories with strong competitiveness as planned, and create new growth drivers by promoting product upgrade.

(II) Improving workforce structure and enhancing corporate management

In line with its needs of development strategy, the Group will focus on innovating human resources management, optimising workforce structure and building an excellent team. In 2012, the Group will, based on its fully implementation of ISO9001, ISO14001, HACCP and Code of Good Practice for Standardisation, concentrate on obtaining the FSSC22000 food safety management system certification and building a more comprehensive safety management system, with the aim of breaking through the green barriers in international trades to expand in the U.S. and European markets in pursuit of optimised order for development.

(III) Building brand reputation and registering international trademarks

The Group builds its brand name with high product quality and gains customers with its brand name. With its L (+)-tartaric acid which being recognised as "Famous Brand Product of Jiangsu Province", the Group continued to upgrade its brand by having malic acid recognised as "Famous Brand Product of Jiangsu Province". The Group will also register trademarks overseas. Currently its international trademark application progresses well and is under review. The Group will enhance its global brand awareness, continue its brand upgrade, and improve its customers' satisfaction with and loyalty to Changmao brand.

(IV) Promoting sustainable development by attracting end-customers

The Group will strive to attract major customers and end-customers by optimising its sales structure, tap the market potential, and developing a steady, sustainable market for its products. The Group will set up overseas office to expand its service in overseas and expand its worldwide network to ensure the growth in its sales turnover. The Group will also proactively attract high-end customers, enhance the competitiveness of its products in high-end markets and improve its performance. Four renowned international enterprises have visited and examined the Group. They may become the Group's major end-customers for Changmao malic acid, aspartame and tartaric acid, which will lay a solid foundation for Changmao's future development.

There will be opportunities and challenges in the future. The Group will continue the production of food additives as its core business and will increase the competitiveness of its existing products by exploring new markets and new application area. At the same time, the Group will capitalise on its production and research strength to develop new functional food additives, nutraceutical product, natural food additives, medicinal intermediaries, APIs and nutraceutical products. The Group will continue to extend its production chain and create new growth.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2012.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2012.

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 31 March 2012, the interests (including interests in shares and short positions) of the Directors, the supervisors of the Company (the "Supervisors") or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to: (a) 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 (b) section 352 of the SFO to be entered in the register referred to in that section; or (c) Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares:

(I) The Company

	Capacity	Number of Domestic Shares	Approximate Percentage shareholding in the Domestic Shares <i>(Note (l))</i>	Number of Foreign Shares	Approximate Percentage shareholding in the Foreign Shares <i>(Note (m))</i>
<i>Director</i>					
Mr. Rui Xin Sheng	Interest of spouse, interest of controlled corporation, trustee (other than a bare trustee) and custodian <i>(Note (a))</i>	2,500,000	100%	135,000,000	39.30%
Ms. Leng Yi Xin	Interest of spouse and interest of controlled corporation <i>(Note (b))</i>	2,500,000	100%	135,000,000	39.30%
Mr. Pan Chun	<i>(Note (c))</i>	–	–	<i>(Note (c))</i>	<i>(Note (c))</i>
Mr. Zeng Xian Biao	<i>(Note (d))</i>	–	–	<i>(Note (d))</i>	<i>(Note (d))</i>
Mr. Yu Xiao Ping	Interest of spouse and interest of controlled corporation <i>(Note (e))</i>	–	–	66,000,000	19.21%
Prof. Ouyang Ping Kai	<i>(Note (f))</i>	–	–	<i>(Note (f))</i>	<i>(Note (f))</i>
Prof. Yang Sheng Li	<i>(Note (g))</i>	–	–	<i>(Note (g))</i>	<i>(Note (g))</i>
<i>Supervisor</i>					
Ms. Zhou Rui Juan	<i>(Note (h))</i>	–	–	<i>(Note (h))</i>	<i>(Note (h))</i>
Mr. Lu He Xing	<i>(Note (i))</i>	–	–	<i>(Note (i))</i>	<i>(Note (i))</i>
Mr. Wan Yi Dong	<i>(Note (j))</i>	–	–	<i>(Note (j))</i>	<i>(Note (j))</i>
Prof. Jiang Yao Zhong	<i>(Note (k))</i>	–	–	<i>(Note (k))</i>	<i>(Note (k))</i>

Notes:

- (a) The 135,000,000 promoter foreign shares of the Company (“Foreign Shares”) are held by Hong Kong Xinsheng Pioneer Investment Company Limited (“HK Xinsheng Ltd”) and the 2,500,000 domestic shares of the Company (“Domestic Shares”) are held by 常州新新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 31 March 2012.
- (m) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 31 March 2012.

(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 Xin Sheng	Interest of controlled corporation (<i>Note (a)</i>)	3,125,000	12.5%
Mr. Yu Xiao Ping	Interest of controlled corporation (<i>Note (b)</i>)	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 31 March 2012, 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: (a) 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 (b) section 352 of the SFO to be entered in the register referred to in that section; or (c) Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement (including share option scheme) to enable the Directors or Supervisors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 March 2012, the following, not being 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 or were substantial shareholder as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares:

Name of Shareholder	Capacity	Number of Foreign Shares	Approximate Percentage shareholding in the Foreign Shares <i>(Note (f))</i>
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 <i>(Note (a))</i>	19.65%
Ms. Rakchanok Sae-lao	Interest of controlled corporation	67,500,000 <i>(Note (b))</i>	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 <i>(Note (c))</i>	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 <i>(Note (d))</i>	18.20%
上海科技投資公司(Shanghai Technology Investment Company)	Interest of controlled corporation	62,500,000 <i>(Note (e))</i>	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 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 at 31 March 2012.

Save as disclosed above, as at 31 March 2012, 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 underling 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/or were substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING BUSINESS

None of the Directors, Supervisors or management shareholders of the Company and their respective associate (as defined in the GEM Listing Rules) has an interest in a business which competes with the business of the Group.

SHARE CAPITAL STRUCTURE

As at 31 March 2012, the category of the issued shares of the Company is as follows:

	No. of Shares
H Shares (<i>Note (a)</i>)	183,700,000
Domestic Shares (<i>Note (b)</i>)	65,000,000
Foreign Shares (<i>Note (c)</i>)	281,000,000
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	529,700,000
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Notes:

- (a) Overseas listed foreign shares in the capital of the Company, with a Rmb-denominated par value of Rmb0.10 each, which were credited as fully paid up in a currency other than Rmb and are traded in Hong Kong dollars and listed on GEM.
- (b) Ordinary shares in the capital of the Company, with a Rmb-denominated par value of Rmb0.10 each, which were credited as fully paid up in Rmb and issued to the promoters of the Company.
- (c) Ordinary shares in the capital of the Company, with a Rmb-denominated par value of Rmb0.10 each, which were credited as fully paid up in a currency other than Rmb and issued to the promoters of the Company.

Although the 到境外上市公司章程必備條款 (the Mandatory Provisions of the Articles of Association of Companies Seeking a Listing Outside the PRC) promulgated on 27 August 1994 by the Securities Commission of the State Council of the PRC and the State Commission for Restructuring the Economic System of the PRC provide for the definitions of “domestic shares”, “foreign shares” and “overseas listed foreign shares” (which definitions have been adopted in the Articles of Association of the Company), the rights attached to Foreign Shares (which are subject to certain restrictions on transfer and may become H Shares upon obtaining the requisite approvals from, among other bodies, the China Securities Regulatory Commission and the Stock Exchange) have not yet been expressly dealt with under the existing PRC laws or regulations. However, the creation by the Company and the subsistence of the Foreign Shares do not contravene any PRC laws or regulations.

At present, there are no applicable PRC laws and regulations governing the rights attached to the Foreign Shares. Jingtian & Gongcheng, the legal adviser to the Company as to PRC Law, have advised the Company that until new laws or regulations are introduced in this respect, holders of Foreign Shares shall have the same rights and obligations as those of the holders of Domestic Shares (in particular, in respect of the right to attend and vote in the general meetings and class meetings and to receive notice of such meetings in the same manner applicable to holders of Domestic Shares), except that holders of Foreign Shares shall enjoy the following rights:

- (a) to receive dividends declared by the Company in foreign currencies;
- (b) in the event of the winding up of the Company, to participate in the distribution of surplus assets (if any) of the Company in foreign currencies and transfer such assets out of PRC, subject however to the applicable foreign exchange control regulations;
- (c) disputes between holders of Domestic Shares and Foreign Shares may upon agreement between them may be resolved by way of arbitration and in case no such agreement is reached, any of the disputing parties could submit the dispute to the courts with competent jurisdiction for determination. These methods of dispute resolution apply equally to disputes between holders of Foreign Shares and overseas listed foreign shares; and
- (d) upon all necessary approvals from the relevant regulatory authorities in the PRC and the Stock Exchange being obtained, the Foreign Shares may be converted into overseas listed foreign shares and shall thereafter carry the same rights and obligations attaching to overseas listed foreign shares.

AUDIT COMMITTEE

The Company has established an audit committee in June 2002 with written terms of reference in compliance with GEM Listing Rules. The audit committee comprises three independent non-executive directors, namely, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Wei Xin.

The primary duties of the audit committee are, among others, to review and to provide supervision over the financial reporting process and internal control system of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Company and discussed financial reporting matters including a review of the unaudited first quarterly results for the three months ended 31 March 2012 with the Directors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 8 May 2012

As at the date hereof, Mr. Rui Xin Sheng (Chairman) and Mr. Pan Chun are the executive Directors, Mr. Zeng Xian Biao, Mr. Yu Xiao Ping, Ms. Leng Yi Xin and Mr. Wang Jian Ping are the non-executive Directors, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Ms. Wei Xin are the independent non-executive Directors.

This announcement will remain at www.hkgem.com on the “Latest company announcements” page of the GEM website for at least 7 days from the date of its positing and on the Company’s website at www.cmbec.com.hk.