



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 2013**

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 2013 together with the unaudited comparative figures for the corresponding period in 2012 as follows:

		Unaudited	
		For the three months	
		ended 31 March	
		2013	2012
	<i>Note</i>	Rmb'000	<i>Rmb'000</i>
Turnover	2	178,973	159,494
Cost of sales		<u>(142,706)</u>	<u>(133,952)</u>
Gross profit		36,267	25,542
Other income		796	2,879
Other gains/(losses), net		4	(48)
Selling expenses		(3,531)	(4,712)
Administrative expenses		<u>(16,956)</u>	<u>(15,670)</u>
Operating profit		16,580	7,991
Finance costs, net	3	(2,318)	(2,815)
Share of profit of an associate		<u>–</u>	<u>836</u>
Profit before income tax		14,262	6,012
Income tax expense	4	<u>(2,182)</u>	<u>(514)</u>
Profit for the period		12,080	5,498
Other comprehensive income			
– currency translation difference		<u>8</u>	<u>6</u>
Total comprehensive income for the period		<u>12,088</u>	<u>5,504</u>
Profit for the period attributable to:			
Equity holders of the Company		12,099	5,603
Non-controlling interests		<u>(19)</u>	<u>(105)</u>
		<u>12,080</u>	<u>5,498</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		12,107	5,609
Non-controlling interests		<u>(19)</u>	<u>(105)</u>
		<u>12,088</u>	<u>5,504</u>
Earnings per share for profit attributable to equity holders of the Company			
– basic and diluted	5	<u>Rmb 0.023</u>	<u>Rmb 0.011</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	
	2013	2012
	Rmb'000	Rmb'000
Interest on bank borrowings – wholly repayable within five years	2,371	2,958
Interest income on bank deposits	(53)	(143)
	<hr/>	<hr/>
Net finance costs	2,318	2,815
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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, upon obtaining 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	
	2013	2012
	Rmb'000	Rmb'000
Current income tax		
– Provision for CIT	2,184	589
Deferred income tax	(2)	(75)
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	2,182	514
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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	
	2013	2012
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before income tax	14,262	6,012
Adjustment: Share of profit of an associate	–	(836)
	<u>14,262</u>	<u>5,176</u>
Calculated at the tax rates applicable to results of the respective consolidated entities	2,087	695
Income not subject to tax	(30)	(6)
Expenses not deductible for tax purposes	–	16
Tax losses for which no deferred income tax asset was recognised	125	139
Others	–	(330)
	<u>2,182</u>	<u>514</u>
Income tax expense	2,182	514

5 EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2013 is based on the profit attributable to equity holders of the Company of approximately Rmb12,099,000 (Corresponding period in 2012: Rmb 5,603,000) and the 529,700,000 shares (Corresponding period in 2012: 529,700,000 shares) in issue during the period.

The Company had no dilutive potential shares in issue during the period (Corresponding period in 2012: Nil).

6 DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2013 (Corresponding period in 2012: Nil).

In addition, the final dividend of Rmb0.028 (inclusive of tax) per share for the year ended 31 December 2012 recommended by the Directors on 6 March 2013 is to be approved by the shareholders at the Annual General Meeting on 16 May 2013. This final dividend, totalling approximately Rmb14,832,000 has not been recognised as a liability in this financial information. It will be recognised in shareholders' equity in the year ending 31 December 2013.

REVIEW AND PROSPECT

Business review

In the first quarter of 2013, the Group maintained steady production and operation, achieved satisfactory sales performance. Project construction made headway as planned. International collaboration, research and development and management were satisfactorily operated. The Group's development reflected a positive and health trend in general.

The Group's turnover for the three months ended 31 March 2013 was Rmb178,973,000, which has increased by 12% as compared to that for the corresponding period in 2012, or increased by 7% as compared to the fourth quarter of 2012; the net profit for the three months ended 31 March 2013 was Rmb12,099,000, which has increased by 116% as compared to that for the corresponding period in 2012, or increased by 18% as compared to the fourth quarter of 2012. The reason for the substantial increase compared to the corresponding period in 2012 was mainly because of, on one hand, there was an underperformance in the first quarter of 2012 and on the other hand, there was continuous growth in the Group's sales in the first quarter of this year and the cost of production has been effectively controlled.

In the first quarter, the Group was able to grasp the market situation and seize key customers to explore the sales market of the core products, enhance the Changmao brand recognition in domestic and overseas markets, and increased the bargaining power in terms of product selling price, and therefore increased the sales volume. The sales of malic acid and tartaric acid which are the Group's major products, were good and made a great contribution to the net profit of the Group in the first quarter of 2013 as they enjoyed high reputation in both domestic and overseas market by its consistently excellent quality.

To enhance the product competitiveness and ensure the market demand, the Group continuous to focus on increasing the efficiency of the production lines, increasing production volume and reducing the wastage rate and energy consumption. It has optimised its production technology and made break-throughs to effectively control its production costs and given full play to the advantages of economy of scale. The Group's measures has given fully guarantee to the product quality and at the same time increased the production volume, which ensured the continuous growth in sales.

In the first quarter of 2013, the ISO9001 quality management system, ISO14001 environment management system and FSSC22000 food safety management system have been operated effectively. The Group combined information technologies with production safety to standardize the management. In addition, the Group has implemented financial management system and detained responsibilities. It will constantly improve the internal management which will help to improve the comprehensive competitiveness of the Group.

Future and Outlook

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 and development and marketing capability, continue to develop new products and continue to expand into new markets to capture growth opportunities. In 2013, the Group will concentrate on the following areas:

(I) Accelerating technology innovation and promoting product upgrade

The Group will put more efforts into technology innovation to consolidate its existing resources and research team, build a more optimised product mix with advancement in technology and through cultivating new products like natural food additives and PQQ (Pyrroloquinoline quinone) with strong competitiveness as planned. Moreover, it will reorganise product structure, extend product chain and enhance the added value of products to meet the trend of the pursuit of human health and natural, and enhance the Group's competitiveness in the high-end product market, and to seek new profit source of the Group.

(II) Adjusting sales strategies and attracting high-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. It will further cooperate with a number of locally and internationally renowned food companies for its major products including tartaric acid, malic acid and aspartame. This will help open new international sales aspects, direct access by end customers and expand international sales networks. It will also facilitate steady growth in sales, and constantly improve the economic efficiency.

(III) Building brand reputation and registering international trademarks

The Group builds its brand name with high product quality, promotes its brand with trademarks and gains customers with its brand name. It will continue to implement a strategic plan for its brand, gradually upgrade the level of its trademarks and register trademarks overseas systematically. The Group will enhance its global brand awareness, continue its brand upgrade, improve its customers' satisfaction with and loyalty to Changmao brand, and increase its market share.

(IV) Transfer of Listing of H Shares to Main Board

For the purpose of long-term development, the Company has submitted a formal application to the Stock Exchange on 17 April 2013 for the Transfer of Listing of its H Shares from the Growth Enterprise Market to the Main Board of the Stock Exchange ("Transfer of Listing") pursuant to Chapter 9A of the Main Board Listing Rules. The Transfer of Listing is subject to, among other things, the approval from the Shareholders in the Extraordinary General Meetings and the relevant Class Meetings and the Stock Exchange. The Directors consider that the

Transfer of Listing will enhance the trading liquidity of the H Shares and promote the Company's corporate profile and recognition from public investors. Therefore, the Directors are of the view that the Transfer of Listing will be beneficial to the future growth, financing flexibility and business development of the Group. For details of the Transfer of Listing, please refer to the announcements made by the Company on 6 March 2013 and 17 April 2013 as well as the circular issued by the Company dated 28 March 2013.

(V) *Establishment and operation of a wholly owned subsidiary – Changmao Biochemical Lianyungang Limited*

Changmao Biochemical Lianyungang Limited will be the new focus of the Group's future development. The infrastructure work of the new factory has been carried out in an orderly manner. Lianyungang is suitable for investment and mass production of food additives, and enjoys lower production cost compare to Changzhou. The establishment and operation of this subsidiary will further enhance the advantage of economies of scale of the Group and promote the upgrade of the existing production chain, which is in line with the strategic target of developing high value-added food additives. Besides, this will further perfect food additives series like sweeteners and acidulants so as to provide raw materials to high-end food producers worldwide, bring new drivers to the Group's development, increase comprehensive competitiveness and will be the new profit centre of the Group.

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 research and production strength to develop new functional food additives, natural food additives and nutraceutical products. The Group will continue to extend its production chain to create new growth points.

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 2013.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2013.

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 2013, 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:

	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))
<i>Director</i>					
Mr. Rui Xin Sheng	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	Interest of spouse and interest of controlled corporation (Note (b))	2,500,000	100%	135,000,000	39.30%
Mr. Pan Chun	(Note (c))	–	–	(Note (c))	(Note (c))
Mr. Zeng Xian Biao	(Note (d))	–	–	(Note (d))	(Note (d))
Mr. Yu Xiao Ping	Interest of spouse and interest of controlled corporation (Note (e))	–	–	66,000,000	19.21%

	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))
Prof. Ouyang Ping Kai	(Note (f))	–	–	(Note (f))	(Note (f))
Prof. Yang Sheng Li	(Note (g))	–	–	(Note (g))	(Note (g))
<i>Supervisor</i>					
Ms. Zhou Rui Juan	(Note (h))	–	–	(Note (h))	(Note (h))
Mr. Lu He Xing	(Note (i))	–	–	(Note (i))	(Note (i))
Mr. Wan Yi Dong	(Note (j))	–	–	(Note (j))	(Note (j))
Prof. Jiang Yao Zhong	(Note (k))	–	–	(Note (k))	(Note (k))

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 31 March 2013.
- (m) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 31 March 2013.

Save as disclosed above, as at 31 March 2013, 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 2013, 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 (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 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 2013.

Save as disclosed above, as at 31 March 2013, 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 2013, 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>)	2,500,000
Foreign Shares (<i>Note (c)</i>)	343,500,000
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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 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 2013 with the Directors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 8 May 2013

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.

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