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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: 954)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

	2013	2012
	Rmb'000	*Rmb'000*
Turnover	**703,032**	653,218
Profit for the year attributable to the equity holders of the Company	**69,992**	49,455

DIVIDEND

The Directors recommend the payment of a final dividend of Rmb0.04 (inclusive of tax) per share for the year ended 31 December 2013.

* *For identification purpose only*

The Board is pleased to present the audited results of the Group for the year ended 31 December 2013 together with the audited comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 Rmb'000	2012 Rmb'000
Turnover	2	**703,032**	653,218
Cost of sales	4	**(534,023)**	(525,765)
Gross profit		**169,009**	127,453
Other income	3	**2,188**	5,834
Other gains, net	3	**1,821**	13,375
Selling expenses	4	**(15,348)**	(16,247)
Administrative expenses	4	**(69,109)**	(61,355)
Operating profit		**88,561**	69,060
Finance income		**555**	645
Finance costs		**(7,513)**	(10,722)
Finance costs, net	5	**(6,958)**	(10,077)
Share of profit of an associate		**–**	342
Profit before income tax		**81,603**	59,325
Income tax expense	6	**(11,275)**	(9,757)
Profit for the year		**70,328**	49,568
Other comprehensive income			
Item that may be reclassified to profit and loss			
– currency translation difference		**106**	(129)
Total comprehensive income for the year		**70,434**	49,439
Profit for the year attributable to:			
Equity holders of the Company		**69,992**	49,455
Non-controlling interests		**336**	113
		70,328	49,568
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**70,098**	49,326
Non-controlling interests		**336**	113
		70,434	49,439
Earnings per share for profit attributable to equity holders of the Company			
– basic and diluted	7	**Rmb0.132**	Rmb0.093
Dividends	8	**21,188**	14,832

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	**2013** **Rmb'000**	2012 Rmb'000
ASSETS			
Non-current assets			
Patents		**3,503**	4,899
Property, plant and equipment		**247,627**	259,261
Land use rights		**21,377**	21,903
Construction in progress		**84,615**	50,920
Prepayments		**15,233**	13,991
Deferred income tax assets		**1,058**	877
		373,413	351,851
Current assets			
Inventories		**135,946**	108,480
Trade and bills receivables	9	**79,004**	74,550
Other receivables and prepayments		**17,629**	14,638
Derivative financial instruments		**2,554**	507
Pledged bank balances		**4,442**	4,094
Cash and bank balances		**64,790**	108,178
		304,365	310,447
Total assets		**677,778**	662,298
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**52,970**	52,970
Reserves	10	**464,504**	409,238
		517,474	462,208
Non-controlling interests		**2,081**	1,745
Total equity		**519,555**	463,953

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 December 2013

	Note	**2013**	2012
		Rmb'000	*Rmb'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**473**	655
Current liabilities			
Trade payables	11	**18,410**	20,878
Other payables and accrued charges		**32,536**	30,008
Income tax payable		**1,804**	2,348
Bank borrowings		**105,000**	144,456
		157,750	197,690
Total liabilities		**158,223**	198,345
Total equity and liabilities		**677,778**	662,298
Net current assets		**146,615**	112,757
Total assets less current liabilities		**520,028**	464,608

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with HKFRS. They have been prepared under the historical cost convention, as modified by derivative financial instruments which are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Other than as disclosed above, there are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 TURNOVER AND SEGMENT INFORMATION

Management determines the operating segments based on the information reported to the Group's chief operating decision maker. Executive directors are identified as the chief operating decision maker. The Group is engaged in the production and sale of organic acids. Resources of the Group are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, and the executive directors consider the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirement of HKFRS 8.

	2013	2012
	Rmb'000	*Rmb'000*
Turnover		
Sales of goods	**703,032**	653,218

An analysis of the Group's turnover by geographic location is as follows:

	2013	2012
	Rmb'000	*Rmb'000*
Mainland China	**319,902**	343,299
Europe	**167,638**	136,577
Asia Pacific	**137,316**	102,961
America	**61,587**	49,380
Others	**16,589**	21,001
	703,032	653,218

The Asia Pacific region includes Australia, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan and Thailand.

The analysis of turnover by geographic location is based on the country area in which the customer is located. No analysis of contribution by geographic location has been presented as the ratio of profit to turnover achieved for individual geographic location is not substantially out of line with the Group's overall ratio of profit to turnover.

The total of the Group's assets located in Mainland China is Rmb676,224,000 (2012: Rmb660,111,000), and the total of the Group's assets located in other country is Rmb1,554,000 (2012: Rmb2,187,000).

3 OTHER INCOME AND OTHER GAINS, NET

	2013 *Rmb'000*	2012 *Rmb'000*
Other income		
Sales of scrap materials	**546**	401
Government grants	**1,035**	4,457
Income from joint research and development of a patent	**400**	800
Others	**207**	176
	2,188	5,834

	2013 *Rmb'000*	2012 *Rmb'000*
Other gains, net		
Gain on disposal of equity interest in an associate	**–**	11,231
Gain on disposal of a patent	**1,942**	1,553
Loss on disposal of property, plant and equipment	**(75)**	(72)
Fair value gains on derivative financial instruments	**2,047**	357
Net exchange loss	**(2,093)**	(168)
Others	**–**	474
	1,821	13,375

4 EXPENSES BY NATURE

	2013 *Rmb'000*	2012 *Rmb'000*
Cost of inventories sold (including provision for inventories to net realisable value of Rmb1,191,000 (2012: Nil))	**356,967**	372,210
Amortisation of patents	**838**	877
Amortisation of land use rights	**526**	526
Auditors' remuneration	**994**	933
Depreciation	**33,769**	35,373
Operating lease rentals in respect of land and buildings	**489**	425
Research and development costs	**16,005**	13,674
Staff costs (including emoluments of Directors and Supervisors)	**59,781**	50,485
Other expenses	**149,111**	128,864
Total cost of sales, selling expenses and administrative expenses	**618,480**	603,367

Included in research and development costs are mainly expenditures incurred for the formulation, design, evaluation and application of various forms of natural organic acids for commercial use. Management assessed that those internal projects are in the research and initial development stage, and did not recognise any of those expenditure as an asset.

5 FINANCE COSTS, NET

	2013	2012
	Rmb'000	*Rmb'000*
Interest on bank borrowings – wholly repayable within five years	**7,513**	10,722
Interest income on bank deposits	**(555)**	(645)
Net finance costs	**6,958**	10,077

6 INCOME TAX EXPENSE

PRC CIT is provided for 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:

	2013	2012
	Rmb'000	*Rmb'000*
Current income tax		
– Provision for CIT	**11,379**	9,995
– Under-provision in prior year	**259**	–
Deferred income tax	**(363)**	(238)
	11,275	9,757

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 the results of the consolidated entities as follows:

	2013	2012
	Rmb'000	*Rmb'000*
Profit before income tax	**81,603**	59,325
Adjustment: share of profit of an associate	**–**	(342)
	81,603	58,983
Calculated at the tax rates applicable to results of the respective consolidated entities	**12,425**	8,702
Income not subject to tax	**(307)**	(106)
Expenses not deductible for tax purposes	**370**	153
Tax losses for which no deferred income tax asset was recognised	**425**	104
Utilisation of tax losses for which no deferred income tax asset was recognised	**(334)**	–
Tax incentives for research and development expenses	**(1,869)**	(515)
Under-provision in prior year	**259**	–
Others	**306**	1,419
Income tax expense	**11,275**	9,757

The tax incentives for research and development expenses represents the tax incentive that enables the Company to claim an additional tax deduction amounting to 50% of the eligible research and development expenses incurred during the year.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit attributable to the equity holders of the Company of Rmb69,992,000 (2012: Rmb49,455,000) and 529,700,000 (2012: 529,700,000) weighted average number of shares in issue during the year.

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

8 **DIVIDENDS**

No interim dividend was declared during the year (2012: Nil). The Directors recommend the payment of a final dividend of Rmb0.04 (2012: Rmb0.028) per share, totalling Rmb21,188,000 (2012: Rmb14,832,000) for the year ended 31 December 2013. Such dividend is to be approved by the shareholders at the Annual General Meeting on 12 May 2014. These financial statements do not reflect this dividend payable.

	2013	2012
	Rmb'000	*Rmb'000*
Final, proposed, of Rmb0.04 (2012: Rmb0.028) per share	**21,188**	14,832

9 **TRADE AND BILLS RECEIVABLES**

	2013	2012
	Rmb'000	*Rmb'000*
Trade receivables	**78,304**	73,220
Bills receivable	**700**	1,330
	79,004	74,550

(a) The credit terms of trade receivables range from 30 to 90 days and the ageing analysis which is based on the invoice date of trade receivables is as follows:

	2013	2012
	Rmb'000	*Rmb'000*
0 to 3 months	**75,750**	71,772
4 to 6 months	**2,135**	915
Over 6 months	**820**	949
	78,705	73,636
Less: Provision for impairment of trade receivables	**(401)**	(416)
	78,304	73,220

(b) The maturity dates of bills receivable are normally within 30 days.

10 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 2012	102,559	53,622	461	(6)	215,989	372,625
Transfer of profit to statutory reserve	–	5,261	–	–	(5,261)	–
Profit for the year	–	–	–	–	49,455	49,455
Other comprehensive income – currency translation difference – Group	–	–	–	(129)	–	(129)
Final dividend for the year ended 31 December 2011	–	–	–	–	(12,713)	(12,713)
At 31 December 2012	102,559	58,883	461	(135)	247,470	409,238
Representing:						
2012 proposed final dividend					14,832	
Others					232,638	
					247,470	
At 1 January 2013	**102,559**	**58,883**	**461**	**(135)**	**247,470**	**409,238**
Transfer of profit to statutory reserve	**–**	**6,995**	**–**	**–**	**(6,995)**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**69,992**	**69,992**
Other comprehensive income – currency translation difference – Group	**–**	**–**	**–**	**106**	**–**	**106**
Final dividend for the year ended 31 December 2012	**–**	**–**	**–**	**–**	**(14,832)**	**(14,832)**
At 31 December 2013	**102,559**	**65,878**	**461**	**(29)**	**295,635**	**464,504**
Representing:						
2013 proposed final dividend					**21,188**	
Others					**274,447**	
					295,635	

11 TRADE PAYABLES

The ageing analysis which is based on the invoice date of trade payables is as follows:

	2013	2012
	Rmb'000	*Rmb'000*
0 to 6 months	**18,292**	20,754
7 to 12 months	**46**	63
Over 12 months	**72**	61
	18,410	20,878

BUSINESS REVIEW AND OUTLOOK

RESULTS FOR THE YEAR

The Group recorded a turnover of Rmb703,032,000 for the year ended 31 December 2013, which represented an increase of approximately 8% as compared to that of last year. Gross margin ratio for the year ended 31 December 2013 was approximately 24%, which represented an increase of approximately 4.5% as compared to that of last year. Net profit was Rmb69,992,000, which represented an increase of approximately 42% as compared to that of last year. In 2013 the Group's good performance was mainly attributable to the growth in the main business of food additives and improvement in gross margin of the main products L(+)–tartaric acid and L-malic acid. Despite the rising costs of production and increased operating costs due to expansion, the Group managed to achieve a continuous growth of sales revenue and net profit, thanks to the effective costs control measures and the excellent market opportunities taken by the Group. Meanwhile, our dedicated employees have contributed their concerted efforts in stabilising production, developing sales network, and optimising management processes.

Business Review

1. *Production*

   The Group has made relentless efforts to achieve the annual targets on energy conservation, emission control, and improvements on production capacity and efficiency. With improved processes, the Group has successfully made a breakthrough of production bottleneck and managed to control energy consumption and save production costs on the one hand, while increasing production volume on the other. In the first half of the year, the Group has successfully completed the replacement of catalyst which resulted in reduced raw material consumption and improved production capacity, such that the production of downstream products was secured and the gross margin for the core products was improved. After a series of process improvements and capacity reconstructions, we have achieved improved economic efficiency in the production of the Group's core products such as tartaric acid and malic acid, where there was an increase in production capacity. The sound and stable production capacity that we have maintained for the Group in 2013 has effectively supported the constantly developing market.

2. *Sales Development*

   In face of complex domestic and international market situations in 2013, the Group's outstanding sales team has actively adjusted their sales strategy so as to accelerate the exchange of information and improve our bargaining power in the end-user market. The Group has also made efforts in the market development of core products through improvement of brand awareness and customer awareness. Our core sales team flew repeatedly to Europe and visited our customers directly and opened up new markets through in-depth communication and strengthened cooperation with end customers which have made important contributions to the growth of the Group's return.

3. *Management Tasks*

The Group has always been committed to upgrading the quality management system and promoting the internationalisation of management systems. For a long time, we have been constantly improving our internal management and the Group's overall competitiveness through the effective implementation of the Management System ISO9001, Environmental Management System ISO12001 and Food Safety System FSSC22000. The Group has adhered to the strengthening of management processes with safety standardisation. Production safety was ensured through meticulous execution of the approval, monitoring and training of safety management personnel in respect of safety operation. An on-site investigation with the Group was conducted by the Provincial Security Department and the Provincial Administration of Work Safety in 2013, in which our work on safety was highly praised and fully recognized. Meanwhile, the Group has also been conscientious in the implementation of environmental protection measures. On top of corporate earnings, our social value is clearly reflected through our strict adherence to the pollutant discharge standards and active fulfillment of corporate social responsibilities.

Trademark strategy has also been a key project under the management tasks of the Group. On the basis of the achievement of the Group's logo as a famous trademark in Jiangsu Province, the application for the well-known trademark in the PRC has now been finalised. The application for well-known trademark is beneficial to the Group in terms of enhancing the image of the Changmao trademark as well as improving brand awareness and brand influence.

4. *Research and Development*

i. Natural Organic Acids Project

The development project on "natural four-carbon series of edible organic acid" (produced from raw materials such as soybean dreg, corn and other renewable resources) has been in progress smoothly. In 2013, the Group carried out a trial production of natural malic acid and proceeded with marketing promotion. Currently, several natural malic acid products have been introduced to the United States. and European markets, and positive feedbacks from customers were received. The expansion of scale in the sales of natural organic acid will open the door for commercial production in the future. The development of natural edible organic acid conforms to the idea of "living a natural and healthy life" promoted around the world. It is also the mainstream of the food additive market trend in the future, both domestically and overseas. Natural edible organic acid will definitely contribute to the growth of the Group.

ii. New Vitamin PQQ Project

In 2013, the Group has also carried out the research work and made application on using new vitamin PQQ as a new feed additive. The study has indicated that, as chicken feed additives, PQQ can improve the egg-laying rate of laying hens, and accelerate the growth of broiler chickens. At present, this project is progressing well. The safety evaluation tests of PQQ, as well as the effectiveness experiments of PQQ as a new feed additive have been completed. Together with its cooperated research institutes, the Group will continue to carry out researches on PQQ as additive in pig feeds, and actively prepare and improve the reporting details for submission to the Ministry of Agriculture for the application of using PQQ as a new feed additive.

iii. Pharmaceutical Adjuvant Project

To extend our product chain and enhance added value of products, the Group actively carried out the development project of pharmaceutical adjuvant. The product breadth has extended from food additives to pharmaceutical adjuvant, and we have obtained the manufacture license to produce pharmaceutical adjuvant. These products have already attracted the attention of some international pharmaceutical manufacturers, who planned to review the Group's pharmaceutical adjuvant and include the Group into their lists of suppliers. To extend the scope of product portfolios, the Group will further increase the investment in research and development, and strengthen its cooperation with universities, research institutes and pharmaceutical manufacturers, as well as in the development of species in pharmaceutical adjuvant and active pharmaceutical ingredients.

Outlook and Prospect

Despite the intense competition and uncertain economic and market situations at home and abroad, the Group is committed to improving the competiveness of its core products. With the advantage of economies of scale and strong research and marketing capabilities, the Group will continue to explore new markets and get hold of new development opportunities through active development of new products and accelerated adjustments of product chains. The Group will continue to put efforts into the following areas:

(I) A wholly Owned Subsidiary of the Group – Changmao Biochemical Lianyungang Limited (常茂生物連雲港有限公司)

Changmao Biochemical Lianyungang Limited is a major development project of the Group in the next few years. Lianyungang has an excellent investment environment. It is suitable for large scale production of food additives and has better production cost advantages as compared to Changzhou. The Group will take the lead to start the project of manufacturing of maleic anhydride using butane, substituting benzene as a raw material, which will significantly reduce costs and improve the competitiveness of downstream products. Current market price of butane is lower than that of benzene by over Rmb1,000 per tonne, reflecting a very obvious cost advantage. Moreover, the manufacturing process of maleic anhydride using butane is cleaner and more environmental friendly, which is in line with the trend of international food additives manufacturing. Market advantage can be achieved by using butane as a raw material for the production of fumaric acid, malic acid and other products, which is highly regarded by international food manufacturers. Production line with annual production capacity of 10,000 tonnes is expected to start operation in the second half of 2014. After the operation in the Lianyungang production base has become smooth and stable, the Group will also substitute the raw material currently used in the manufacturing of maleic anhydride in the Changzhou production base, with an aim to improve the Group's economic efficiency through uplifting of the market competitiveness of existing products.

The construction of the new production plant in Lianyungang will further improve the Group's advantages in large-scale production and promote the updating and upgrading of the existing product chain. With the strategic goal in developing high value-added food additives and further improvement of the food additive series including acidulant and sweeteners, the project will provide supporting materials to high-end food manufacturers, bring in new dynamics to the Group, improve our overall competiveness and become a new profit centre of the Group.

(II) 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 through cultivating new products like natural food additives and PQQ with strong competitiveness as planned. Moreover, it will optimise its product structure, extend its 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.

(III) 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. The Group will set up a new product marketing team, to promote new product development and market expansion. 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.

(IV) Building brand reputation and registering international trademarks

To increase customer awareness and loyalty, 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.

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, expand its scale and strengthen its power, create new record and achieve new breakthroughs.

FINANCIAL REVIEW

Turnover and gross profit margin

The Group recorded a turnover of Rmb703,032,000 for the year ended 31 December 2013, which has increased by approximately 8% as compared to that for the year ended 31 December 2012. The sales volume of major product, L(+)–tartaric acid and L-malic acid had increased as compared to last year. Although the price of major raw material and the salary of direct labour both increased, gross margin of major products has increase as compared to that of last year as a result of the increase in product price as well as the effectiveness of the measures on reducing costs and increasing efficiency and enhancement in production management level. The overall gross margin has increased by approximately 4.5% as compared to that of last year. The Group will continue to control its production costs through the refinement in production technology and develop new products with higher gross margin to increase economic efficiency.

Expenses

Selling and administrative expenses in 2013 increased as compared to that of 2012 due to the continuous growth of business, production volume and the increase in staff costs, the Group has increased scale of the Group's research and development, and devoted more efforts into marketing and promotion this year.

Other gains, net

Other income (net) reduced in 2013 mainly because the Group has sold its entire equity interest in an associate and recorded a pre-tax gain of approximately Rmb11,231,000 (after-tax net gain of approximately Rmb8,654,000) in 2012.

Income tax

The Company is entitled to a preferential CIT rate of 15% for year ended 31 December 2013. Other subsidiaries of the Group in Mainland China are subject to a standard tax rate of 25%.

Net profit

Due to the growth in major business, the Group recorded a net profit of approximately Rmb69,992,000 (2012:Rmb 49,455,000) for the year ended 31 December 2013, which represented an increase of approximately 42% as compared to that of last year.

SEGMENTAL INFORMATION

Most of the Group's products are exported to Western Europe, Australia, the United States and Japan. As expressed as a percentage of turnover, export sales (including sales through import-export agents in the PRC) accounted for approximately 60% (2012: 50%) of the Group's turnover while domestic sales in the PRC accounted for approximately 40% (2012: 50%) of turnover. The increase in the proportion of exports was mainly due to the increase in sales volume of export-oriented L(+)–tartaric acid and L-malic acid over last year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operates in the PRC. Substantially all of its assets, liabilities and capital expenditure are located or incurred in Mainland China. Sales are made to customers in the PRC as well as overseas customers while purchases are mainly from suppliers in the PRC. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD. Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposure should the need arises. During the year, the Group has used forward contracts to hedge certain of its foreign currency exposure in USD.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had total outstanding bank borrowings of Rmb105,000,000 (2012: Rmb144,456,000). The outstanding bank borrowings as at 31 December 2013 were unsecured and were all repayable within one year. The Company expects to renew the bank borrowings in due time if necessary. The average effective interest rate of all the outstanding bank loans as at 31 December 2013 was approximately 6.0% (2012: 5.8%) per annum.

Except for the bank borrowings disclosed above, as at 31 December 2013 and 2012, the Group did not have any committed borrowing facilities.

The Group generally finances its operations with equity fundings and bank borrowings. Excess cash held by the Group is generally placed at banks to earn interest income.

As at 31 December 2013, the Group had capital commitments for property, plant and equipment amounting to approximately Rmb28,465,000 (2012: Rmb40,684,000). These capital commitments are mainly used for expansion of production lines and the building of new factory in Lianyungang. The Group intends to finance the capital commitment by cash flows generated from the Group's operations and/or bank financings.

The Group did not have any charge on its assets during the year ended 31 December 2013. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 23.3% as at 31 December 2013 (2012: 29.9%). As at 31 December 2013, the Group's cash and cash equivalents amounted to Rmb63,190,000 (2012: Rmb106,578,000). Decrease in cash and cash equivalent was mainly due to the increase in capital expenditures for the construction of new factory in Lianyungang. The Directors believe that the Group is in a healthy financial position.

EMPLOYEES

Including the Directors and Supervisors, as at 31 December 2013, the Group employed a total of 536 employees (2012: 552 employees). Employees are remunerated in accordance with the nature of the job and also on individual merit. Total amount of staff costs for the year ended 31 December 2013 was approximately Rmb59,781,000 (2012: Rmb50,485,000). Bonus to Directors and employees under the staff incentive scheme for the year ended 31 December 2013 was approximately Rmb5,156,000 (2012: Rmb1,625,000). Excluding the bonus, the amount of staff costs including salary, welfare benefits and retirement benefits was approximately Rmb54,625,000 (2012: Rmb48,860,000). Staff costs increased as compared to that of last year mainly because of salary increment.

Under the staff incentive scheme for each of the three years ended 31 December 2013, so long as the audited profits (or, where applicable, combined or consolidated profits) attributable to the shareholders (after taxation and non-controlling interest (if any) but before payment of the bonuses referred to below) amount to not less than Rmb 40 million (the "Target Profit"):

(a) a sum equivalents to 5% of the amount in excess of the Target Profit will be payable to Mr. Rui Xin Sheng as a bonus for the relevant year;

(b) a sum equivalents to 5% of the amount in excess of the Target Profit will be payable to the deputy general manager and all the Directors (other than Mr. Rui Xin Sheng and the independent non-executive Directors) for the time being of the Company as a bonus for the relevant year; and

(c) a sum equivalents to 5% of the amount in excess of the Target Profit will be payable as bonus to all the employees (including supervisors, but excluding the Directors and the independent supervisors) of the Company and its subsidiaries (if any) from time to time, the basis of apportionment of which will be determined by the Board at its discretion.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee, which is chaired by an independent non-executive Director and currently has a membership comprising three independent non-executive Directors, has reviewed with the management and approved the financial statements for the year ended 31 December 2013.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 for the year ended 31 December 2013.

DIVIDEND

The Directors recommend the payment of a final dividend of Rmb0.04 (inclusive of tax) per share in cash, totalling approximately Rmb21,188,000 for the year ended 31 December 2013. The proposed dividend is subject to approval by the Company's shareholders in the forthcoming annual general meeting. It is intended that the dividend will be payable on 31 July 2014 to the holders of Domestic Shares, Foreign Shares and H Shares whose names appear on the register of member of the Company at 4:30 p.m. on 21 May 2014. Further information relating to the payment of the dividend will be made by the Company in due course.

CLOSURE OF H SHARE REGISTER IN RELATION TO THE PROPOSED FINAL DIVIDEND

The H Share register of shareholders of the Company will be closed from 16 May 2014 to 21 May 2014 (both days inclusive), during which no transfer of H Shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17Mth Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 May 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 12 May 2014. A notice convening the annual general meeting will be published in due course.

SIGNIFICANT INVESTMENTS

There are no significant investments held by the Group as at 31 December 2013 and 2012.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE YEAR

There are no acquisitions and disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2013 and 31 December 2012, the Group did not have any material contingent liabilities.

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 December 2013, the interests (including interests in shares and short positions) of the Directors, 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 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) Appendix 10 of the 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))*	Number of H Shares	Approximate percentage shareholding in the H Shares *(Note (n))*
Director							
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%	136,000	0.07%
Ms. Leng Yi Xin	Interest of spouse and interest of controlled corporation *(Note (b))*	2,500,000	100%	135,000,000	39.30%	136,000	0.07%
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%	–	–
Prof. Ouyang Ping Kai	*(Note (f))*	–	–	*(Note (f))*	*(Note (f))*	–	–
Prof. Yang Sheng Li	*(Note (g))*	–	–	*(Note (g))*	*(Note (g))*	–	–
Supervisor							
Ms. Zhou Rui Juan	*(Note (h))*	–	–	*(Note (h))*	*(Note (h))*	–	–
Mr. Lu He Xing	*(Note (i))*	–	–	*(Note (i))*	*(Note (i))*	–	–
Mr. Zhang Jun Peng	*(Note (j))*	–	–	*(Note (j))*	*(Note (j))*	–	–
Prof. Jiang Yao Zhong	*(Note (k))*	–	–	*(Note (k))*	*(Note (k))*	–	–

Notes:

(a) The 135,000,000 Foreign Shares are held by HK Xinsheng Ltd, the 2,500,000 Domestic Shares are held by Changzhou Xinsheng and the 136,000 H Shares are held by Bonus Sky Investments Limited. 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. Mr. Rui is the beneficial owner of 100% of the issued share capital of Bonus Sky Investments Limited. 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, Changzhou Xinsheng and Bonus Sky Investments Limited, 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 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. Zhang is the registered holder and beneficial owner of 800 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. Mr. Zhang is also the registered holder and beneficial owner of 120,000 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.

(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 at 31 December 2013.

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

(n) The percentage is calculated based on the 183,700,000 H Shares in issue at 31 December 2013.

Save as disclosed above, as at 31 December 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) Appendix 10 of the 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 year 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 December 2013, the followings, 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 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 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%

Name of Shareholder	Capacity	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares *(Note (f))*
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 Entrepreneur Investment Company Limited, formerly 上海科技投資股份有限公司)	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 HK Biochem Ltd, 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 HK Biochem Ltd. HK Biochem Ltd 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 Entrepreneur 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 Entrepreneur 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 December 2013.

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

SHARE CAPITAL STRUCTURE

As at 31 December 2013, the category of the issued shares of the Company is as follows:

	No. of Shares
H shares *(Note (a))*	183,700,000
Domestic Shares *(Note (b))*	2,500,000
Foreign Shares *(Note (c))*	343,500,000
	529,700,000

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 Main Board.

(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.

The H Shares were listed on the GEM on 28 June 2002 and the listing of which was transferred from the GEM to the Main Board on 28 June 2013.

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.

PUBLIC FLOAT

At the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2013, the Company complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out by the Stock Exchange in Appendix 15 to the Rules Governing the Listing of Securities on the GEM or Appendix 14 to the Listing Rules (as the case may be), with the exception of Code provisions A.2.1 (separation of roles of chairman and chief executives) and A.6.7 (directors attending general meetings).

Code provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Rui Xin Sheng, the chairman of the Board, also acts as the general manager (chief executive officer) of the Company. Since Mr. Rui Xin Sheng is well aware of the Group's business and operation, the Company considers that it is in the best interest of the Company for Mr. Rui Xin Sheng to act as the general manager of the Company.

Code provision A.6.7 of CG Code stipulates that independent non-executive Directors and non-executive Directors should attend general meetings. Certain independent non-executive Directors and non-executive Directors were unable to attend the annual general meeting and the extraordinary general meeting of the Company held on 16 May 2013, and extraordinary general meeting of the Company that held on 4 November 2013 due to prior business commitments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the Model Code for the year ended 31 December 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rule and the Company considers the independent non-executive Directors remained independent.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The audit committee comprises four independent non-executive Directors, namely, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms. Wei Xin and Ms. Au Fung Lan.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including to review, inter alia, the Group's quarterly (if applicable), interim and annual results during the year ended 31 December 2013 and to recommend the Board the appointment of external auditors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 10 March 2014

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, Mr. Wang Jian Ping and Ms. Leng Yi Xin are the non-executive Directors, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms. Wei Xin and Ms. Au Fung Lan are the independent non-executive Directors.

GLOSSARY

Board	Board of Directors of the Company
CG Code	Code provision of the Corporate Governance Code in appendix 14 of the Listing Rules
Changmao or the Company	Changmao Biochemical Engineering Company Limited
Changzhou Xinsheng	常州新生生化科技開發有限公司
CIT	Corporate Income Tax
Director(s)	Director(s) of the Company
Domestic Shares	Domestic shares of the Company
Foreign Shares	Foreign shares of the Company
GEM	Growth Enterprise Market of the Exchange
Group	the Company and its subsidiaries
HK Biochem Ltd	Hong Kong Bio-chemical Advanced Technology Company Limited
HKFRS	Hong Kong Financial Reporting Standards
HK Xinsheng Ltd	Hong Kong Xinsheng Pioneer Investment Company Limited
H Shares	H shares of the Company
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Main Board	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for avoidance of doubt, it does not include GEM for the purpose hereof
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
PRC	The People's Republic of China
PQQ	Pyrroloquinoline quinone
Rmb	Renminbi
SFO	Securities and Futures Ordinance
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	Supervisor(s) of the Company
USD	United States Dollars