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 2015

HIGHLIGHTS

	2015	2014
	Rmb'000	*Rmb'000*
Revenue	**514,779**	561,669
Profit for the year attributable to the equity holders of the Company	**45,274**	37,223

DIVIDEND

The Directors recommend the payment of a final dividend of Rmb0.026 (inclusive of tax) per share for the year ended 31 December 2015.

* *For identification purpose only*

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2015 together with the audited comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**2015**	2014
		Rmb'000	*Rmb'000*
Revenue	2	**514,779**	561,669
Cost of sales	4	**(399,949)**	(450,340)
Gross profit		**114,830**	111,329
Other income	3	**3,065**	6,943
Other gains/(losses), net	3	**7,136**	(44)
Selling expenses	4	**(15,096)**	(14,196)
Administrative expenses	4	**(59,615)**	(58,965)
Operating profit		**50,320**	45,067
Finance income		**687**	1,405
Finance costs		**–**	(4,557)
Finance income/(costs), net	5	**687**	(3,152)
Profit before income tax		**51,007**	41,915
Income tax expense	6	**(5,861)**	(4,497)
Profit for the year		**45,146**	37,418
Other comprehensive income			
Item that may be reclassified to profit or loss			
– currency translation difference		**–**	29
Total comprehensive income for the year		**45,146**	37,447
Profit for the year attributable to:			
Equity holders of the Company		**45,274**	37,223
Non-controlling interests		**(128)**	195
		45,146	37,418
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**45,274**	37,252
Non-controlling interests		**(128)**	195
		45,146	37,447
Earnings per share for profit attributable to equity holders of the Company			
– basic and diluted	7	**Rmb0.085**	Rmb0.070

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 Rmb'000	2014 Rmb'000
ASSETS			
Non-current assets			
Patents		**1,190**	2,314
Property, plant and equipment		**276,296**	283,926
Land use rights		**28,058**	28,744
Construction in progress		**94,655**	89,483
Deferred income tax assets		**2,549**	1,030
		402,748	405,497
Current assets			
Inventories		**130,199**	125,004
Trade receivables	9	**71,037**	75,759
Other receivables and prepayments		**21,599**	16,315
Income tax recoverable		**–**	293
Pledged bank balances		**8,830**	7,724
Cash and bank balances		**95,791**	61,703
		327,456	286,798
Total assets		**730,204**	692,295
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**52,970**	52,970
Reserves	10	**514,189**	480,568
		567,159	533,538
Non-controlling interests		**2,148**	2,276
Total equity		**569,307**	535,814

CONSOLIDATED BALANCE SHEET *(CONTINUED)*
As at 31 December 2015

	Note	**2015** *Rmb'000*	2014 *Rmb'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**264**	343
Current liabilities			
Trade and bills payables	11	**41,936**	39,771
Other payables and accrued charges		**26,496**	26,125
Derivative financial instruments		**446**	242
Income tax payable		**1,755**	–
Bank borrowings		**90,000**	90,000
		160,633	156,138
Total liabilities		**160,897**	156,481
Total equity and liabilities		**730,204**	692,295

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of Changmao Biochemical Engineering Company Limited (the "Company") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by derivative financial instruments which are carried 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 and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015.

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The amendment does not have significant impact on the Group's consolidated financial statements.

Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'. The amendment does not have significant impact on the Group's consolidated financial statements.

Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'. The amendment does not have significant impact on the Group's consolidated financial statements.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New and amended standards and interpretations that have been issued but are not yet effective for annual periods beginning after 1 January 2015 and have not been early adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 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, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

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 REVENUE AND SEGMENT INFORMATION

Executive directors are identified as the chief operating decision maker. Management has determined the operating segments based on the information reported to the executive directors for the purposes of allocating resources and assessing performance.

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.

	2015	2014
	Rmb'000	*Rmb'000*
Revenue from sales of goods	**514,779**	561,669

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

	2015	2014
	Rmb'000	*Rmb'000*
Mainland China	**258,199**	265,404
Europe	**100,909**	117,888
Asia Pacific	**116,732**	104,385
America	**27,476**	55,726
Others	**11,463**	18,266
	514,779	561,669

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

The analysis of revenue 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 revenue achieved for individual geographic location is not substantially out of line with the Group's overall ratio of profit to revenue.

As at 31 December 2015, all the Group's non-current assets (other than the deferred income tax assets) amounted to Rmb400,199,000 (2014: Rmb404,467,000) are located in Mainland China.

Included in the revenue from sales of goods, approximately Rmb25,097,000 (2014: Rmb59,823,000) was contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 5% (2014: 11%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

3 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2015	2014
	Rmb'000	*Rmb'000*
Other income		
Sales of scrap materials	**317**	313
Government grants	**1,593**	5,747
Others	**1,155**	883
	3,065	6,943

	2015	2014
	Rmb'000	*Rmb'000*
Other gains/(losses), net		
Gain on disposal of patents	**1,646**	2,113
Loss on disposal of property, plant and equipment	**(351)**	(676)
Fair value losses on derivative financial instruments	**(204)**	(2,796)
Net exchange gain	**6,045**	1,315
	7,136	(44)

4 EXPENSES BY NATURE

	2015	2014
	Rmb'000	*Rmb'000*
Cost of inventories sold	**233,652**	293,175
Amortisation of patents	**770**	802
Amortisation of land use rights	**686**	617
Auditors' remuneration	**1,139**	1,041
Depreciation	**35,291**	32,348
Operating lease rentals in respect of land and buildings	**569**	480
Research and development costs	**7,530**	8,485
Staff costs (including emoluments of Directors and Supervisors)	**59,794**	56,367
Other expenses	**135,229**	130,186
Total cost of sales, selling expenses and administrative expenses	**474,660**	523,501

Included in research and development costs are mainly expenditures incurred for the formulation, design, evaluation and application of various forms of 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 INCOME/(COSTS), NET

	2015	2014
	Rmb'000	*Rmb'000*
Interest on bank borrowings	**3,463**	7,081
Less: amounts capitalised on qualifying assets	**(3,463)**	(2,524)
	–	4,557
Interest income on bank deposits	**(687)**	(1,405)
Finance (income)/costs, net	**(687)**	3,152

6 INCOME TAX EXPENSE

PRC Corporate Income Tax ("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 qualified as a New and High Technology Enterprise, 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:

	2015	2014
	Rmb'000	*Rmb'000*
Current income tax		
– Provision for CIT	**7,533**	4,710
– Over -provision in prior year	**(74)**	(111)
Deferred income tax	**(1,598)**	(102)
	5,861	4,497

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:

	2015	2014
	Rmb'000	*Rmb'000*
Profit before income tax	**51,007**	41,915
Calculated at the tax rates applicable to results of the respective consolidated entities	**7,145**	6,322
Income not subject to tax	**–**	(945)
Expenses not deductible for tax purposes	**443**	954
Tax losses for which no deferred income tax asset was recognised	**965**	115
Utilisation of tax losses for which no deferred income tax asset was recognised	**–**	(20)
Tax incentives for research and development expenses	**(1,375)**	(1,544)
Temporary difference not recognised in prior year	**(1,451)**	–
Over-provision in prior year	**(74)**	(111)
Others	**208**	(274)
Income tax expense	**5,861**	4,497

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 50% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended 31 December 2015 and 2014.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit attributable to the equity holders of the Company of Rmb45,274,000 (2014: Rmb37,223,000) and 529,700,000 (2014: 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 (2014: Nil).

8 DIVIDENDS

No interim dividend was declared during the year (2014: Nil). The dividends paid in 2015 and 2014 were Rmb11,653,000 (Rmb0.022 per share) and Rmb21,188,000 (Rmb0.04 per share) respectively. A final dividend in respect of the year ended 31 December 2015 of Rmb0.026 per share, totalling Rmb13,772,000 is to be proposed at the Annual General Meeting on 16 May 2016. These financial statements do not reflect this dividend payable.

	2015	2014
	Rmb'000	*Rmb'000*
Final, proposed, of Rmb0.026 (2014: Rmb0.022) per share	**13,772**	11,653

9 TRADE RECEIVABLES

	2015	2014
	Rmb'000	*Rmb'000*
Trade receivables	**71,037**	75,759

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:

	2015	2014
	Rmb'000	*Rmb'000*
0 to 3 months	**68,793**	71,883
4 to 6 months	**2,055**	3,676
Over 6 months	**656**	693
	71,504	76,252
Less: Provision for impairment of trade receivables	**(467)**	(493)
	71,037	75,759

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 2014	102,559	65,878	461	(29)	295,635	464,504
Transfer of profit to statutory reserve	–	3,406	–	–	(3,406)	–
Profit for the year	–	–	–	–	37,223	37,223
Other comprehensive income						
– currency translation difference – Group	–	–	–	29	–	29
Final dividend for the year ended 31 December 2013	–	–	–	–	(21,188)	(21,188)
At 31 December 2014	102,559	69,284	461	–	308,264	480,568
Representing:						
2014 proposed final dividend					11,653	
Others					296,611	
					308,264	
At 1 January 2015	**102,559**	**69,284**	**461**	**–**	**308,264**	**480,568**
Transfer of profit to statutory reserve	**–**	**4,899**	**–**	**–**	**(4,899)**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**45,274**	**45,274**
Final dividend for the year ended 31 December 2014	**–**	**–**	**–**	**–**	**(11,653)**	**(11,653)**
At 31 December 2015	**102,559**	**74,183**	**461**	**–**	**336,986**	**514,189**
Representing:						
2015 proposed final dividend					**13,772**	
Others					**323,214**	
					336,986	

11 TRADE AND BILLS PAYABLES

	2015	2014
	Rmb'000	*Rmb'000*
Trade payables	**12,504**	16,587
Bills payables	**29,432**	23,184
	41,936	39,771

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

	2015	2014
	Rmb'000	*Rmb'000*
0 to 6 months	**12,361**	16,306
7 to 12 months	**44**	235
Over 12 months	**99**	46
	12,504	16,587

(b) The maturity of bills payables are normally with 6 months.

BUSINESS REVIEW AND OUTLOOK

In 2015, the Group maintained steady production and operation. Project construction made headway as planned. The progress of international collaboration, research and development and management were satisfactorily in all aspects. The Group's development reflected a positive and healthy trend in general.

Results for the Year

In 2015, the Group achieved a balanced development in all areas. The Group's revenue for the year ended 31 December 2015 was approximately Rmb514,779,000, which represented a decrease of approximately 8.3% as compared to that in last year. Net profit attributable to the equity holders of the Company was approximately Rmb45,274,000, which represented an increase of approximately 21.6% as compared to that in last year. Gross profit margin was approximately 22.3%, which represented an increase of approximately 2.5% as compared to that in last year.

In the past year, the global economic situation was uncertain, especially the recovery in the euro economic zone was slow. The economic growth of China was also affected by the external environment and slowed down. The foreign exchange rate fluctuations were more volatile and frequent as compared to previous years, and has affected the overall economic activities.

With the advantages in quality and brand, the sales volume of the Group's organic acid products, such as tartaric acid and malic acid increased in 2015 compared with that in 2014. The decline in international crude oil prices and the impact of over-supply in China caused the prices of the major products continued to decline and the reduction in revenue compared with that in 2014. However, the Group continued to improve its production processes to control production costs, coupled with the reduction in raw material prices, the gross profit margin increased over last year. The increase in gross profit margin together with the increase in foreign exchange gains resulted in a pretty good increase in net profit in 2015.

Business Review

Being affected by the complex domestic and overseas economic factors, food additives industry has been facing unprecedented challenges. Facing the competitive market, the Group has adjusted its sales strategy, obtained market information in advance, grasped the market trend and has flew repeatedly to Europe and America and visited important customers directly to seek for new sales channels and open up new markets through in-depth communication and strengthened direct cooperation with end customers.

In terms of production, the Group has made relentless efforts to achieve the targets on energy conservation, emission control, improvements on production capacity and efficiency in the whole production processes. With improved processes, the Group has successfully made a breakthrough of production bottleneck, brought the advantage of large scale production into play, managed to ensure the quality of products, control production costs, and ensured the economic benefits of the Group. The Group's aspartame product has faced tough competition in the market in recent years, the Company has strengthened and improved the production process, and strived to reduce costs. In the business of processing imported materials into aspartame, the raw material consumption was reduced as a result of improvement in technology. The filing of such information to the customs department was not in time. A fine of Rmb1.233 million was finally imposed by the customs department in December 2015. The company will strengthen its internal control management and enhance the procedures for reporting raw material consumptions to prevent such incident to occur in the future.

In terms of management, the Group has always committed to improving product quality and constantly updating its management system. In the first half of 2015, the Group completed the renewal of FSSC22000, which represents the highest standards in food safety system, the renewal of ISO9001 in the quality control system, and the audit in relation to the ISO14001 environmental management system. In order to improve energy efficiency, enhance awareness of energy conservation and promote energy management, the Group has implemented a new energy management system in the second half of 2015 to strengthen the management and control of the primary energy use. Its aim is to reduce energy consumption, improve energy efficiency, thus reducing production costs.

For a long time, the Group insisted on strengthening the standardisation of safety management. The Group is meticulous in approval and monitoring of safety working environment, as well as in the training of security management to ensure production safety. Meanwhile, the Group has always conscientiously implemented measures on environmental protection, to ensure meeting the discharge standards, and actively fulfill its corporate social responsibility, to seek coordinated development of social, economic and environmental benefits.

Research and Development

1. *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 2015, the Group continued carrying out the trial production of natural malic acid, strived to improve the production technology and reduce production costs. It has also actively promoted these products in the market. Currently, several natural malic acid products have entered into the domestic and overseas markets, and positive feedbacks were received. 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. It will also upgrade the Group's existing product chain and be a contribution to the future development of the Group.

2. *New Vitamin PQQ Project*

   In 2015, the Group has continued carrying out the research work on the application of using new vitamin PQQ as a new feed additive and research work on related medium scale production. 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. As pig feed additives, PQQ can increase the effectiveness and tolerability of weaned piglets. Currently, the Group is working with the Chinese Academy of Agricultural Sciences to carry out research on applying PQQ in the broiler chicken feed production. The Group is actively improving the reporting details for submission to the Ministry of Agriculture and preparing for the application of using PQQ as a new feed additive. The Group will continue to prefect the above work and strive for obtaining the approval for the new feed additive as soon as possible.

3. *Pharmaceutical Adjuvant Project*

   To extend its product chain and enhance added value of products, the Group actively carried out the development project of pharmaceutical adjuvant. At present, the Group has started to promote the pharmaceutical adjuvant produced by the Group and achieved some success. It is actively preparing to apply permits on other new pharmaceutical adjuvant. As the Group's focus on cultivating long-term sustainable development projects, pharmaceutical adjuvant will further enrich the Group's product range, optimise the product structure of the Group, and will have a positive impact on expanding the existing product markets and the performance of the Group.

4. *Pharmaceutical Intermediates*

In the past two years, some new types of anticancer drugs and diabetes drugs have been approved for sale in the market, the market of pharmaceutical intermediates, as a side chain of these drugs, also gradually opens. The Group is actively developing these new types of pharmaceutical intermediates with collaboration partners. In addition, the development of the side chain of new antibiotics by the Group and a well-known international company was smooth, and the product will be put into trial industrialised production. In the future, the Group will continue to actively develop the relevant products with different collaboration parties, expand the types and range of the Group's pharmaceutical intermediate products and continue to extend the Group's product chain.

Key Projects

1. *A wholly owned subsidiary of the Group – Changmao Biochemical Lianyungang Company Limited (常茂生物連雲港有限公司)*

Changmao Biochemical Lianyungang Company 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 construction of the new production plant in Lianyungang has a strategic goal of developing high value-added food additives, providing supporting materials for the global high-end food production enterprises and further improving the food additive series of the Group including acidulant and sweeteners. It will further improve the Group's advantages in large-scale production in order to bring in new dynamics to the Group. The project will become a new profit centre of the Group.

2. *Commencement of transforming the production lines to use butane to manufacture maleic anhydride in the Changzhou headquarter*

The Group has commenced transforming the production lines to use butane to manufacture maleic anhydride with a current production capacity of 20,000 tonnes in the Changzhou headquarter. Preparatory work has been carried out orderly. Using butane instead of benzene as a raw material to manufacture maleic anhydride will reduce costs and improve the competitiveness of downstream products. Based on the raw material conversion rate, using butane instead of benzene as a raw material to manufacture maleic anhydride will consume fewer raw material 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. The Group focuses on its long-term benefit, with an aim to improve the gross margin of its downstream products and uplift the market competitiveness of existing products by reducing the raw material costs.

Outlook and Prospect

Despite the uncertain economic situations and intense market competition at home and abroad, the Group is committed to improving the competitiveness 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 chain. The Group will continue to put efforts into the following areas:

1. *Strengthen international development*

   The Group continues to aim at stable production and expand sales network and at the same time to strengthen its expansion internationally. With the accelerating pace of the development of Changmao Group, it is difficult to achieve rapid and substantial growth by just relying solely on exporting products with its existing platform. Changmao's sustainable development will be restricted if it just stays in its current operation model. The Group needs to seek international cooperation in different dimensions, including the introduction of new technologies, personnel and products, which will promote Changmao onto an international platform, and make its development faster and better.

2. *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.

3. *Adjusting sales strategies and attracting high-end customers*

   The Group will strive to attract major customers and end-customers by optimising its sales structure, tapping the market potential, and developing a steady, sustainable market for its products. This will help open new international sales aspects, enable direct access by end customers and expand international sales networks. It will also facilitate steady growth in sales, and constantly improve the economic efficiency. For new products, the Group will set up a marketing team, to promote new product development and market expansion.

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 areas. At the same time, the Group will capitalise on its research and production strength to develop new functional food additives, natural food additives, pharmaceutical intermediates 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.

ANALYSIS OF KEY PERFORMANCE INDICATORS

Revenue (2015: Rmb514,779,000; 2014: Rmb561,669,000) **and gross profit margin** (2015: 22.3%; 2014: 19.8%)

The price for benzene, the Group's major raw material, began to decline since the end of 2014. Selling price for the products also reduced along with the decrease in price for raw materials. Total revenue in 2015 has decreased by approximately 8.3% as compared to that in 2014 as a result of decrease in product selling prices despite the increase in total sales volume in 2015. The unit production costs has decreased as a result of reduction in raw material price and resulted in a slight increase in gross profit margin by approximately 2.5%.

Selling and administrative expenses (2015: Rmb74,711,000; 2014: Rmb73,161,000)

The extent of increase in selling and administrative expenses was relatively less than the extent of increase in business and production volume mainly because the Group has implemented effective cost saving measures in 2015.

Other income and other gains/(losses), net (2015: Rmb10,201,000; 2014: Rmb6,899,000)

Other income and other gains/(losses), net increased compare to that in 2014 mainly due to the appreciation of USD against Rmb which caused the Group to record a large increase in exchange gain.

Finance income/(costs), net (2015: finance income, net of Rmb687,000; 2014: finance cost, net of Rmb3,152,000)

The Group has capitalised all of the interest on qualifying assets in 2015. Interest expense before deducting the interest capitalised was Rmb 3,463,000 (2014: Rmb7,081,000). It has decreased because there was a decrease in average balance of bank borrowings and effective interest rate in 2015.

Income tax (2015: Rmb5,861,000; 2014: Rmb4,497,000)

The Company, being qualified as a New and High Technology Enterprise, is entitled to a preferential CIT rate of 15% for the year ended 31 December 2015. Other subsidiaries of the Group in Mainland China are subject to a standard tax rate of 25%. For details of the difference on the tax on the Group's profit before income tax and the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities, please refer to note 6 to the consolidated statement of comprehensive income above.

Profit for the year attributable to equity holders of the Company

For the year ended 31 December 2015, the Group recorded a profit attributable to equity holders of the Company of approximately Rmb45,274,000 (2014: Rmb37,223,000), representing an increase of approximately 21.6%. Such increase was mainly due to the increase in gross profit margin and the increase in foreign exchange gains.

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 revenue, export sales (excluding sales through import-export agents in the PRC) accounted for approximately 50% (2014: 53%) of the Group's revenue while domestic sales in the PRC accounted for approximately 50% (2014: 47%) of the Group's revenue.

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 2015, the Group had total outstanding bank borrowings of Rmb90,000,000 (2014: Rmb90,000,000). The outstanding bank borrowings as at 31 December 2015 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 2015 was approximately 4.4% (2014: 5.5%) per annum.

Except for the bank borrowings disclosed above, as at 31 December 2015 and 2014, 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 2015, the Group had capital commitments for property, plant and equipment amounting to approximately Rmb14,740,000 (2014: Rmb14,015,0000). These capital commitments are mainly used for 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 2015. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 22.0% (2014: 22.6%) as at 31 December 2015. As at 31 December 2015, the Group's cash and cash equivalents amounted to Rmb93,191,000 (2014: Rmb57,503,000). The Directors believe that the Group is in a healthy financial position.

EMPLOYEES

Including the Directors and Supervisors, as at 31 December 2015, the Group employed a total of 552 employees (2014: 567 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 2015 was approximately Rmb59,794,000 (2014: Rmb56,367,000). Increase in staff costs was mainly due to salary increment.

Under the staff incentive scheme for each of the three years ended 31 December 2016, 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 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 2015.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 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 2015.

DIVIDEND

The Directors recommend the payment of a final dividend of Rmb0.026 (inclusive of tax) per share in cash, totalling approximately Rmb13,772,000 for the year ended 31 December 2015. 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 29 July 2016 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 25 May 2016. 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 20 May 2016 to 25 May 2016 (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 19 May 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 16 May 2016. 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 2015 and 2014.

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 2015.

CONTINGENT LIABILITIES

As at 31 December 2015 and 31 December 2014, 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 OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 December 2015, 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 or any specified undertaking of the Company or any other 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; or (d) the Hong Kong Companies Ordinance (Cap.622), 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 and 100,000 Class "B" shares. 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 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 and 100,000 Class "B" shares. 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 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 and 100,000 Class "B" shares. He is also the registered holder and beneficial owner of 200,000 shares 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.

(d) Mr. Zeng is the registered holder and beneficial owner of 380,000 shares 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. Mr. Zeng is also the registered holder and beneficial owner of 2,000 Class "B" shares 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 and 100,000 Class "B" shares.

(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 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 and 100,000 Class "B" shares.

(g) Prof. Yang is the registered holder and beneficial owner of 2,000 Class "B" shares 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 and 100,000 Class "B" shares.

(h) Ms. Zhou is the registered holder and beneficial owner of 220,000 shares 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.

(i) Mr. Lu is the registered holder and beneficial owner of 220,000 shares 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.

(j) Mr. Zhang is the registered holder and beneficial owner of 800 Class "B" shares 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 and 100,000 Class "B" shares. Mr. Zhang is also the registered holder and beneficial owner of 120,000 shares 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.

(k) Prof. Jiang is the registered holder and beneficial owner of 2,000 Class "B" shares 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 and 100,000 Class "B" shares.

(l) The percentage is calculated based on the 2,500,000 Domestic Shares in issue at 31 December 2015.

(m) The percentage is calculated based on the 343,500,000 Foreign Shares in issue at 31 December 2015.

(n) The percentage is calculated based on the 183,700,000 H Shares in issue at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the Directors, Supervisors or chief executives of the Company have interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other 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; or (d) the Hong Kong Companies Ordinance (Cap.622), to be notified to the Company and the Stock Exchange.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year was the Company, its subsidiaries or its other associated corporation a party to any arrangement (including share option scheme) to enable the Directors, Supervisors and chief executive of the Company or any of their spouses or children under eighteen years of age to hold any interests or short position in the shares of underlying shares in or debentures of the Company of its specified undertakings or other associated corporation.

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 2015, 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%
Kehai Venture Capital (Hong Kong) Limited	Beneficial owner	62,500,000	18.20%
上海創業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 2015.

Save as disclosed above, as at 31 December 2015, 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 2015, 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 2015, the Company complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out by the Stock Exchange in Appendix 14 to the Listing Rules, with the exception of Code provision A.6.7 (directors attending general meetings).

Code provision A.6.7 of CG Code stipulates that non-executive Directors and independent non-executive Directors should attend general meetings. Certain non-executive Directors and independent non-executive Directors were unable to attend the annual general meeting of the Company held on 8 May 2015 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 2015.

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 interim and annual results during the year ended 31 December 2015 and to recommend the Board the appointment of external auditors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 16 March 2016

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
HKAS	Hong Kong Accounting Standard
HK Biochem Ltd	Hong Kong Bio-chemical Advanced Technology Company Limited

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
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