ANNUAL REPORT 2015

CHANGMAO BIOCHEMICAL ENGINEERING COMPANY LIMITED

常 茂 生 物 化 學 工 程 股 份 有 限 公 司

(A Joint Stock Limited Company Incorporated In The People's Republic Of China)

(Stock Code: 954)

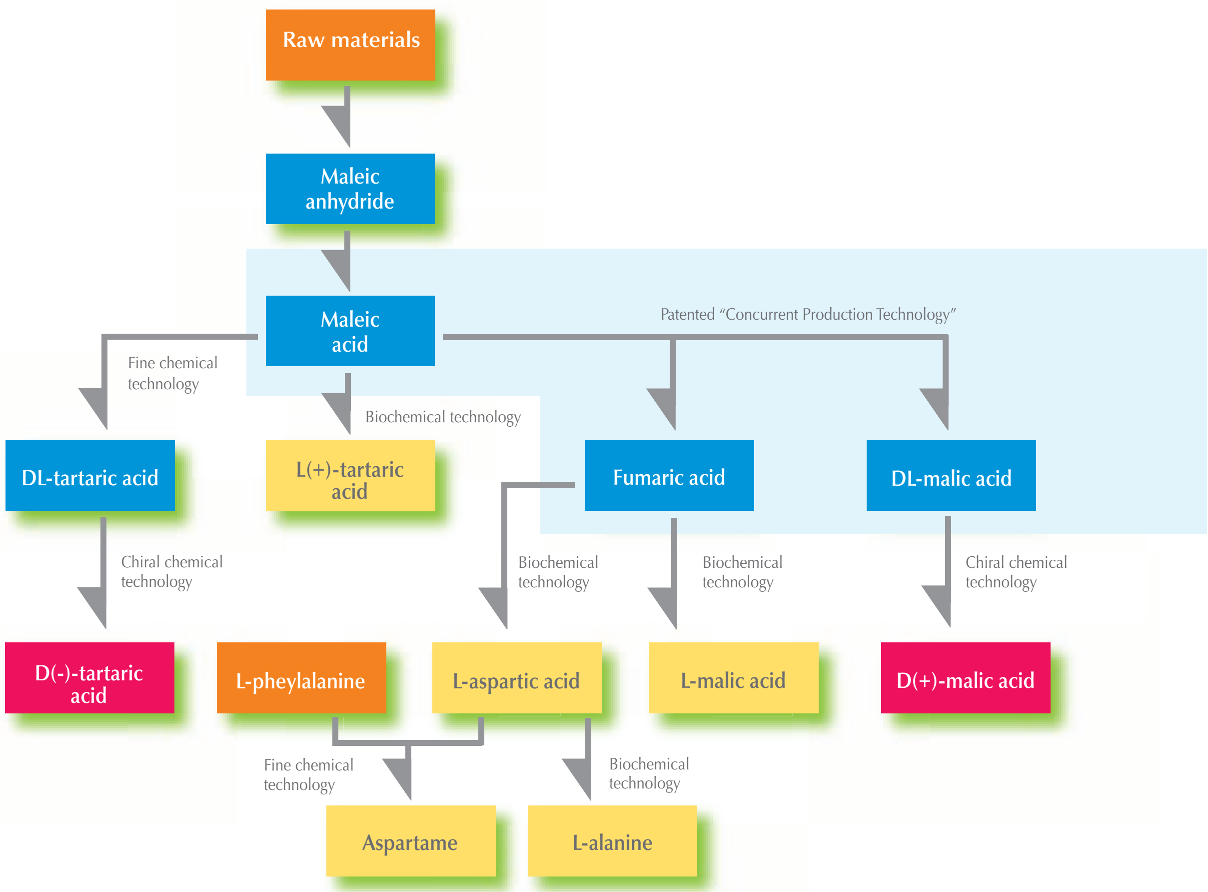
CONTENTS

CORPORATE PROFILE

Established in 1992, Changmao Biochemical Engineering Company Limited is a leading organic acid producer in the PRC. Changmao produces organic acids for sales to food additive, chemical and pharmaceutical industries. Changmao's products conform to the highest international standards and are mainly exported to overseas such as Western Europe, the United States, Australia and Japan.

The core products of the Group are organic acids and their derivatives with four carbons in their structures including fumaric acid, maleic acid, L-malic acid, D-malic acid, DL-malic acid, L(+)-tartaric acid, D(-)-tartaric acid, DL-tartaric acid, L-aspartic acid and aspartame. These products are mainly used as food additives or medical inter-mediaries. The Group's major products are produced along vertical production chains. The major advantage of the production chains is that each of the products in the production chains is also a finished product for sales to customers.

PRODUCTION FLOWCHART OF CHANGMAO'S PRODUCTS

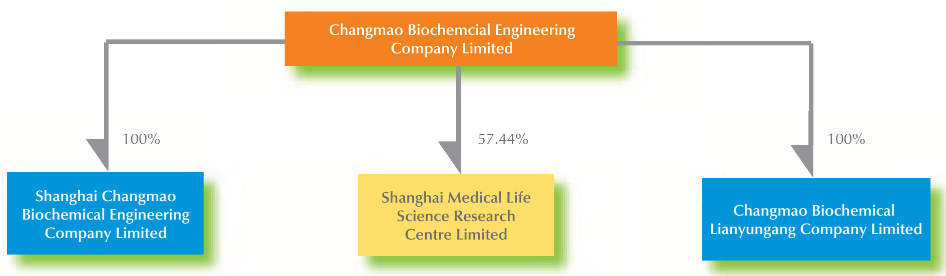


CORPORATE PROFILE

The Group persists in pursuing advanced technologies as its production direction and focuses in investment in new technology research and development which combines the production process with theoretical concepts. The Group received numerous awards in relation to production technologies including First Prize in Technological Achievement (技術發明一等獎) and Second Prize in Scientific Improvement (科技進步二等獎) in The Petroleum Chemical Industry in China (中國石油化工行業). The Group attained the ISO9001 Quality System Standards, Environmental Management System ISO14001 and FSSC22000 Food Safety System Certification. Its core product, L(+)-tartaric acid obtained the Food and Drug Administration (FDA) certificate in 2006. The Group's logo was also recognised as a Famous Trademark in the PRC (中國馳名商標).

The Group's major competitive edge is its delicate and advanced production system. Changmao successfully applied the theoretical concepts of enzyme technology and chirotechnology in its highly efficient and cost effective production process. The Group has two research and development centres, Chirotechnology Centre base in Changzhou, and the Shanghai Medical Life Science Research Centre Limited to research on new products and new production technologies. The Group will continue the production of food additives as its core business and develop new nutraceutical products to extend its production chain. The Group believes its strong capability in research and development would enable the Group to continue to grow.

GROUP STRUCTURE



CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Rui Xin Sheng *(Chairman)*
Mr. Pan Chun *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
Mr. Zeng Xian Biao
Mr. Yu Xiao Ping
Ms. Leng Yi Xin
Mr. Wang Jian Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS
Prof. Ouyang Ping Kai
Prof. Yang Sheng Li
Ms. Wei Xin
Ms. Au Fung Lan

SUPERVISORS NOMINATED BY SHAREHOLDERS
Ms. Zhou Rui Juan
Mr. Lu He Xing

SUPERVISOR NOMINATED BY EMPLOYEES
Mr. Zhang Jun Peng

INDEPENDENT SUPERVISORS NOMINATED BY SHAREHOLDERS
Prof. Jiang Yao Zhong
Mr. Geng Gang

COMPANY SECRETARY
Ms. Wan, Pui Ling Alice (CPA)

AUTHORISED REPRESENTATIVES
Mr. Rui Xin Sheng
Ms. Wan, Pui Ling Alice (CPA)

COMPLIANCE OFFICER
Mr. Rui Xin Sheng

AUDIT COMMITTEE
Prof. Ouyang Ping Kai
Prof. Yang Sheng Li
Ms. Wei Xin*
Ms. Au Fung Lan

REMUNERATION COMMITTEE
Mr. Rui Xin Sheng
Prof. Ouyang Ping Kai
Prof. Yang Sheng Li*
Ms. Wei Xin
Ms. Au Fung Lan

NOMINATION COMMITTEE
Mr. Rui Xin Sheng
Prof. Ouyang Ping Kai*
Prof. Yang Sheng Li
Ms. Wei Xin
Ms. Au Fung Lan

LEGAL ADDRESS
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Jiangsu Province, 213034
The PRC

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Central
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PRINCIPAL BANKERS
Bank of China
Changzhou Branch, the PRC

Industrial and Commercial Bank of China
Changzhou Branch, the PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants

COMPANY'S WEBSITE ADDRESS
www.cmbec.com.hk

STOCK CODE
954

* *chairman of the relevant committee*

CHAIRMAN'S STATEMENT

To the shareholders,

On behalf of the Board, I present to the Shareholders the annual report of Changmao Biochemical Engineering Company Limited for the year ended 31 December 2015. 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 have 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.

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

OUTLOOK AND PROSPECT

Despite the uncertain economic situations and intense market competition 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 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.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board I would like to thank the continuing concern and assistance from peers and business partners from all circles. I would also like to express my appreciation to the full support to all projects of the Group by all shareholders and a great deal of thanks goes out to our staff for their hard work. Let's hold hands together and create a brighter Changmao Group.

Rui Xin Sheng
Chairman

The PRC, 16 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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 compared 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 costs, net of Rmb3,152,000)

The Group has capitalised all of the interest expense 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 9 to the consolidated financial statements.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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: Rmb14,015,000). 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 liabilites-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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

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.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Rui Xin Sheng (芮新生), aged 59, is the chairman of the Board, an executive Director and the compliance officer of the Company. He is a researcher and a senior engineer of the Company. He was one of the founders of the Company in December 1992. He is also the director of Shanghai Life Sci and director and authorised representative of Shanghai Changmao. Mr. Rui graduated from Jiangsu Institute of Technology (江蘇化工學院) with a bachelor degree in organic synthesis in 1982. He obtained an executive master of business administration in the Nanjing University (南京大學) in 2005. He is the vice chairman of the Committee of Biochemical Engineering of the Chemical Industry and Engineering Society of China (中國化工學會生物化工專業委員會), the deputy managing director of the Association of Biochemistry of China (中國生物化工協會), the deputy managing director of Jiangsu Commission of Biotechnology (江蘇省生物技術協會) and a part-time professor at the Nanjing University of Technology (南京工業大學). Owing to his significant achievement in the field of biochemistry, Mr. Rui received numerous awards including the First Class Award of Scientific Development and Technology Improvement in Changzhou (常州市技術改造一等獎) and the Second Prize of Changzhou City Scientific and Technological Achievement (常州市科技進步二等獎) in 1997. The Concurrent Production Technology invented by Mr. Rui, Ms. Leng Yi Xin and Mr. Jiang Jun Jie obtained patent in the PRC in 1998. Other awards obtained by Mr. Rui include the Fourth Annual Excellent Scientists of Changzhou City (常州市第四屆傑出科技人員) in 1999, DuPont Innovation Award and Youth Expert with Excellent Contribution in Jiangsu Province (江蘇省有突出貢獻的中青年專家) in 2000, the First Class Award of State Technological Achievement (國家科技進步一等獎) in 2001, Innovative Entrepreneur of Jiangsu Province (江蘇省創新創業人才獎), the Second Class Award of Petrol Chemical Industry Technological Achievement in the PRC (中國石油化學工業行業科技進步二等獎) in 2003 and the First Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步一等獎) in 2005. He is currently a director of Shuguang Factory. Mr. Rui is the spouse of Ms. Leng Yi Xin (a non-executive Director).

Mr. Pan Chun (潘春), aged 46, is an executive Director and the general manager (chief executive officer) of the Company. He is also the director and authorised representative of Lianyungang Changmao. He obtained a bachelor degree in industrial analysis from the department of applied chemistry of the Nanjing University of Technology (南京工業大學) in 1993. Mr. Pan is recognised as a senior engineer by the Jiangsu Provincial Personnel Department (江蘇省人事廳). Mr. Pan is responsible for the management of production, safety, environment protection, equipment management, purchasing and domestic sales of the Company. Mr. Pan received the First Class Award of Changzhou Technological Achievement (常州市技術改造一等獎) in 1997. Mr. Pan received the First Class Award of Technological Invention (技術發明一等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2003, May 1st Labour Medal of Changzhou City (常州市五一勞動獎章) in 2011 and Model Worker of China Light Industry (中國輕工行業勞動模範) in 2012. Mr. Pan joined the Company in August 1993.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Non-executive Directors

Mr. Zeng Xian Biao (曾憲彪), aged 73, is a non-executive Director. Mr. Zeng graduated from Nanjing Petrochemistry School (南京石油工業學校) in 1961. He has extensive experience engaging in research, development and production management in the field of chemistry. Mr. Zeng received various awards including the Golden Prize of Technological Improvement-Maleic Anhydride 2000t/a (順酐2000t/a技改省金牛獎) from the State Economic Commission (國家經濟委員會), Maleic Anhydride 3000t/a Technology Improvement (3000t/a順酐重點技改先進個人), Municipal Contribution Award for the Ninth Five-year Period and the Millennium (市九五跨世紀奉獻獎) and the Second Annual State Award for Technological Development (省第二次合理化建議科技成果獎). Mr. Zeng is currently a director of Shuguang Factory. Mr. Zeng joined the Company in December 1992.

Mr. Yu Xiao Ping (虞小平), aged 60, is a non-executive Director. Mr. Yu graduated from East China Normal University (華東師範大學) with a bachelor degree in English in 1977. He holds directorships in various pharmaceutical and investment companies in the PRC. Besides his experience in trading of pharmaceutical products, he has experience in promoting and facilitating the inspection and approval from the U.S. Food and Drug Administration for various PRC pharmaceutical products, of which he became the executive agent for these pharmaceutical products and has established a trading business in the United States of America. Mr. Yu joined the Company in December 1992.

Ms. Leng Yi Xin (冷一欣), aged 54, is a non-executive Director. She is also the director of Shanghai Life Sci and general manager of Shanghai Changmao. She graduated from the Jiangsu Institute of Technology (江蘇化工學院) with a bachelor degree in organic synthesis in 1982 and subsequently obtained a master degree in chemical engineering from Nanjing University of Technology (南京工業大學) in 1996 and obtained a doctorate in bio-chemical engineering from Nanjing University of Technology in 2005. She is also a professor of the department of chemical engineering of the School of Petrochemical Engineering in Changzhou University (常州大學石油化工學院). Ms. Leng has participated in various research projects and published more than 50 theses. As mentioned above, Ms. Leng is one of the inventors of the Concurrent Production Technology. She obtained the Second Class Award of Technological Invention (技術發明二等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2004. She also obtained the First Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步一等獎) in 2005 and the Third Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步三等獎) in 2010. She is the spouse of Mr. Rui (the chairman of the Board and an executive Director). She joined the Company in June 2001.

Mr. Wang Jian Ping (王建平), aged 54, is a non-executive Director. He graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor of engineering degree in 1983 and subsequently obtained a master of engineering degree from Shanghai Jiao Tong University (上海交通大學) in 1986. Mr. Wang is currently a general manager of Shanghai Technology Entrepreneur Investment Company Limited (上海科技創業投資股份有限公司). Mr. Wang has been a director of the 704 Research Centre of the Seventh Institute of the China Shipping Company (中國船舶總公司七院704研究所) and a visiting scholar of the department of energy in the University of Leeds. Mr. Wang was first appointed as a non-executive Director in June 2007.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Independent non-executive Directors

Prof. Ouyang Ping Kai (歐陽平凱), aged 70, is an independent non-executive Director. He graduated from Tsinghua University (清華大學) with a bachelor degree in 1968 and subsequently obtained a master degree in chemistry research from the same university in 1981. From 1985 to 1987, he was a visiting scholar of the University of Waterloo, Ontario, Canada. Prof. Ouyang is an academician of the Chinese Academy of Engineering (中國工程院). He was the President of Nanjing University of Technology (南京工業大學) and instructed dozens of master and doctorate students. He also holds memberships and positions in various science and academic institutions. Prof. Ouyang obtained various awards including the First Prize of the State Technological Achievement (國家科技進一等獎) in 2001, the Technology Achievement Award from the Ho Leung Ho Lee Foundation, Dupont Innovation Award and several other awards of national level. Prof. Ouyang published more than 180 theses and two publications. Prof. Ouyang was first appointed as an independent non-executive Director in June 2001.

Prof. Yang Sheng Li (楊勝利), aged 75, is an independent non-executive Director. Prof. Yang is a researcher of Shanghai Research Center of Biotechnology Chinese Academy of Science (中國科學院上海生物工程研究中心). In 1997, he became the academician of the Chinese Academy of Engineering (中國工程院). Prof. Yang has long been engaging in research relating to genetic function and structure and genetic engineering. He instructed dozens of master students and doctorate students and published more than 80 theses. Prof. Yang received the First Class Award of Technological Achievement (科技進步一等獎) from the Chinese Academy of Science (中國科學院) in 1988, the Second Prize of Yilide Technology (第二屆億利達科技獎) from the Chinese Academy of Science (中國科學院) in 1989, and the First Prize of Innovative Worker (先進工作者一等獎) from the Committee of the Ministry of Science and Technology of the PRC (中國科技部委員會). Prof. Yang was first appointed as an independent non-executive Director in June 2001.

Ms. Wei Xin (衛新), aged 48, is an independent non-executive Director. Ms. Wei is a certified public accountant in the PRC. She graduated from Soochow University (蘇州大學) in accountancy in 1989. She has over fifteen years of experience in auditing and accounting. Ms. Wei is currently the partner of a certified public accounting firm in the PRC. Ms. Wei was first appointed as an independent non-executive Director in September 2004.

Ms. Au Fung Lan (歐鳳蘭), aged 41, is an independent non-executive Director. Ms. Au has over 12 years of experience in investment banking in Hong Kong. Ms. Au holds a bachelor degree of commerce from the University of Toronto in 1997. Ms. Au is currently the executive director of an investment bank in Hong Kong. Ms. Au was first appointed as an independent non-executive Director in June 2013.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Supervisors nominated by Shareholders

Ms. Zhou Rui Juan (周瑞娟), aged 61, is a Supervisor and the chairman of the supervisory committee of the Company. She is also the supervisor of Shanghai Changmao. She graduated from Changzhou Light Industrial School (常州輕工學校) majoring in corporate management in 1988. Ms. Zhou passed the State Examination for Assistant Accountant in 1997. She was a financial accountant, the vice manager of the labour department and the director of the administrative department of the Company. Ms. Zhou was recognised as an activist of the labour union (工會積極分子) and an advanced worker (先進生產者) of the Company. She joined the Company in January 1993.

Mr. Lu He Xing (陸和興), aged 71, is a Supervisor. Mr. Lu was recognised as an Advanced Manufacturer of the Bureau of Chemical Industry (化工局先進生產者), a Model Worker of Changzhou and Jiangsu (江蘇省及常州市勞動模範) and one of the Ten Best Leaders from Changzhou City of Chemical Commission (常州市化學委員會的十佳領導幹部). Mr. Lu joined the Company in December 1992.

Supervisor nominated by employees

Mr. Zhang Jun Peng (張俊朋), aged 42, is a Supervisor and the chief officer of the concurrent production line of the Company and an engineer. He graduated from Jiangsu Institute of Petrochemical Technology (江蘇石油化工學院) in 1997 with a bachelor degree in chemical engineering. He was engaged in the continuous improvement and innovation of four-carbon series organic acid and obtained the Second Class Award of Process Innovation & Technological Invention (創新工藝技術發明二等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2004. Mr. Zhang was involved in various projects of the Company in respect of the improvement of production technology and is experienced in the production management of the Company. The concurrent production line led by Mr. Zhang won the championship of "the Cup of Safety and Health" ("安康杯"競賽優勝班組) in China in 2012 from the All-China Federation of Trade Unions (中華全國總工會) and the State Administration of Work Safety of the PRC (國家安全生產監督管理總局). He joined the Company in August 1997.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS (Continued)

Independent Supervisors nominated by Shareholders

Prof. Jiang Yao Zhong (蔣耀忠), aged 79, is an independent Supervisor. He graduated from the department of chemistry of Peking University (北京大學) in 1957. He has been the vice president of the Chengdu branch of the Chinese Academy of Sciences (中國科學院成都分院) during 1990 to 1994. He was also the president of Chengdu Institute of Organic Chemistry, the Chinese Academy of Sciences (中國科學院成都有機化學研究所) during 1992 to 1997 and the scientific consultant of the Government of Sichuan Province from 1988 to 1998. He was a committee member of the Chemistry Society of China (中國化學會), a deputy director of the Committee of the Organic Chemistry (有機化學委員會), a chairman of the board of Sichuan Institute of Chemistry and Chemical Engineering (四川省化學化工學會), a member of the review panel of Department of Chemical Science of National Natural Science Foundation of China (國家自然科學基金委員會化學部評審組成員) and a foreign member of the American Chemical Society and the chief editor of Synthetic Chemistry (合成化學) from 1998 to 2002. He is a researcher and an instructor of doctorate students in Organic Chemistry, the Chinese Academy of Sciences (中國科學院成都有機化學研究所). Prof. Jiang was recognised as the Leader of Academy and Technology in Sichuan (四川省學術和技術帶頭人) in 1998 and awarded the Prize of Creation in Organic Synthesis by the Chemistry Society of China (中國化學會有機合成創造獎) in 2000. He also received the Second Class Award of National Natural Science Award (國家自然科學二等獎) in 2005, the Thomson Reuters Research Front Award in 2008, and Educator with Outstanding Contributions (傑出貢獻教師) from the Graduate University of the Chinese Academy of Sciences (中國科學院研究生院) in 2008. Prof. Jiang was first appointed as an independent Supervisor in June 2004.

Mr. Geng Gang (耿剛), aged 55, is an independent Supervisor. He graduated from Jingsu Institute of Chemistry (江蘇化工學院) in 1982. He possesses over 20 years of experience in the field of chemical industry. Mr. Geng is recognised as a senior engineer by the Jiangsu Provincial Personnel Department (江蘇省人事廳). Mr. Geng is currently a deputy chief engineer, a director of laboratory and senior engineer of a chemical company and the vice chairman of the Technical Committee of China Cellulose Association (中國纖維素協會技術委員會). He obtained the Third Class Award of Jiangsu Science and Technology Progress (江蘇省科技進步三等獎) and the Second Class Award of Wuxi Science and Technology Progress (無錫市科技進步二等獎) for his research on the pilot-scale project of making viscose-styrene grafting fiber in 1990. He obtained the award of Wuxi Excellent Scientific Workers (無錫市優秀科技工作者稱號) in 1991 and the award of Wuxi Top Youth Expert (無錫市中青年專業技術拔尖人才) in 1992. Mr. Geng was first appointed as an independent Supervisor in June 2010.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Pan Chun (潘春), whose personal particulars are set out under the paragraph headed "Directors" in this section.

Mr. Wan Yi Dong (萬屹東), aged 42, is the debuty general manager of the Company. Mr. Wan is recognised as an engineer by the Bureau of Personel of Chang Zhou Municipality (常州市人事局). He graduated from Zhejiang University in 1996 with a bachelor degree in biochemistry. In 2004, he obtained a master degree in business administration from Nanjing University of Science and Technology. He joined the Company in August 1996. He was engaged in the technology advancement of bio-enzyme and immobilised enzyme technology and has been involved in various projects of the Company in respect of improvement in production technology and new technology on new products. Mr. Wan has published various professional articles in professional chemical magazines. He obtained various awards including the 常州市科技進步一等獎 (The First Class Award of Changzhou City Technological Achievement) in 2001 and 中國石油和化學工業協會科技進步二等獎 (The Second Class Award of Petrol Chemical Industry Technological Achievement in the PRC) in 2003. Mr. Wan joined the Company in August 1996.

Ms. Wan, Pui Ling Alice (溫珮玲) (CPA), aged 44, is the financial controller and company secretary of the Company. She has over twenty years of experience in accounting and financial management in Hong Kong and the PRC. Ms. Wan holds a bachelor degree in business administration and a master of science degree in finance from the Chinese University of Hong Kong, and is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Wan joined the Company in June 2001.

Ms. Zhang Qin Ying (張琴英), aged 47, is the chairman of the labor union of the Company. She is also the supervisor of Lianyungang Changmao. She is a senior economist. She studied in Finance School of Changzhou (常州財經學校), specializing in financial management in 1999. She has also studied in Jiangsu Provincial Party School in 2007, specializing in economic management. She has years of strong management experience in finance and labour union. She also serves as the chairman of the Union of Chemical Industry of Changzhou (常州市化工行業工會) and vice-chairman of the Union of Chemical and Light Industry in Changzhou (化輕產業工會). Ms. Zhang joined the Company in September 1993.

Mr. Lu A Xing (陸阿興), aged 47, is a manager of the sales department of the Company. He obtained a diploma from Changzhou Chemical Worker's School (常州市化工職工學校) in 1988 and continued his studies at The Chinese Communist Party School of Jiangsu Province (中共江蘇省委黨校). Mr. Lu has over 20 years' experience in sales and marketing. Mr. Lu joined the Company in January 1993.

Save as disclosed above, each of the Directors or Supervisors does not have any relationship with any directors, supervisors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company (within the meaning of the Listing Rules).

CORPORATE GOVERNANCE REPORT

The Company is committed to the maintaining of a high standard of corporate governance. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

COMPLIANCE WITH CODE PROVISIONS ON THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 of the CG code.

Throughout the year ended 31 December 2015, the Company complied 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 Provisions A.6.7 (directors attending general meetings).

Code provision A.6.7 of CG Code stipulates that independent non-executive Directors and non-executive Directors should attend general meetings. Mr. Pan Chun, Mr. Zeng Xian Biao, Mr. Yu Xiao Ping, Mr. Wang Jian Ping, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms. Wei Xin and Ms. Au Fung Lan were unable to attend the annual general meeting held on 8 May 2015, due to prior business commitments.

The Company's corporate governance structure includes the Board and the supervisory committee. The Company has also established three committees under the Board, namely the Remuneration Committee, the Audit Committee and the Nomination Committee. The corporate governance practices adopted by the Company are as follows:

THE BOARD

The major responsibilities of the Board include the formation of the Group's overall strategies, setting business plans and the supervision of the performance of the management. The Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board is also responsible for preparing a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

The Board comprises two executive Directors, namely, Mr. Rui Xin Sheng (Chairman) and Mr. Pan Chun, four non-executive Directors, namely, Mr. Zeng Xian Biao, Mr. Yu Xiao Ping, Ms. Leng Yi Xin and Mr. Wang Jian Ping and four independent non-executive Directors, namely, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms. Wei Xin and Ms. Au Fung Lan.

CORPORATE GOVERNANCE REPORT

The Board meets regularly, and had met four times for the year ended 31 December 2015. Attendance of individual members of the Board meeting for the year ended 31 December 2015 is as follows:

	Name of Director	Attended/ Eligible to attend
Executive Directors	Rui Xin Sheng *(Chairman)*	4/4
	Pan Chun	4/4
Non-executive Directors	Zeng Xian Biao	4/4
	Yu Xiao Ping	4/4
	Leng Yi Xin	4/4
	Wang Jian Ping	3/4
Independent Non-executive Directors	Ouyang Ping Kai	1/4
	Yang Sheng Li	1/4
	Wei Xin	4/4
	Au Fung Lan	4/4

Save that Ms. Leng Yi Xin is the wife of Mr. Rui Xin Sheng, each of the Directors is independent of other Directors.

Board Diversity Policy

The Group has adopted a board diversity policy (the "Board Diversity Policy"). A summary, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy and Measurable Objectives

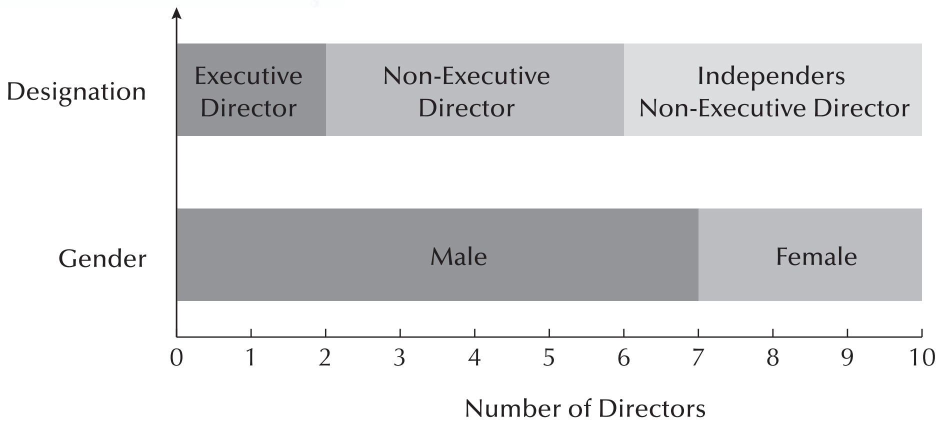
The Company recognises and embraces the benefits of diversity in the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In performing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually. As at the date of this report, the Board's composition under major diversified perspectives was summarized as follows:

Board Diversity



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.

Appointments of Directors

Appointments of Directors, being individuals who are suitably qualified and expected to make positive contributions to the performance of the Board, are first considered by the Nomination Committee and then by the Board. Thereafter, all Directors are subject to election by shareholders at the shareholders' general meeting. A Director may serve consecutive terms if re-elected upon the expiration of the terms.

Each of Mr. Rui Xin Sheng and Mr. Pan Chun has entered into a service agreement with the Company. All the other Directors have not entered into any service agreement with the Company. The terms of each Director is not more than three years and will be expired on 17 June 2016.

CORPORATE GOVERNANCE REPORT

Nomination of Candidates for Re-election of Directors

On 9 March 2016, the Nomination Committee, taking into account the Board performance evaluation for the 2015, confirmed that all the existing Directors continue to contribute effectively and are committed to their roles. Although Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Ms. Wei Xin have served as independent non-executive Directors for more than 9 years, they meet the independence factors set out in Rule 3.13 of the Listing Rules and are not involved in the daily management of the Company, nor in any relationships or circumstances which would interfere with the exercise of their independent judgment. In addition, they continue to demonstrate the attributes of independent non-executive directors and there is no evidence that their tenure have had any impact on their independence. Taking into account the above, the Nomination Committee is of the opinion that Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Ms. Wei Xin remain independent notwithstanding the length of their service and it believes that their valuable knowledge and experience in the Group's business and their general business acumen continue to generate significant contribution to the Company. Accordingly, the Nomination Committee, in accordance with the Nomination Policy and Board Diversity Policy, nominated all the existing Directors to stand for election by Shareholders at the forthcoming Annual General Meeting. On 16 March 2016, the said nominations were accepted by the Board with each candidate abstaining from voting on the proposition of himself for election by Shareholders. All the candidates for re-election of Directors do not have any service contracts with any member of the Group that are not determinable by the Group within 1 year without compensation (other than statutory compensation), and their particulars are set out in the "Information on the Candidates for Election and Re-election of Directors and Supervisors" in the circular in relation to the Company's forthcoming Annual General Meeting.

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 Rules and the Company still considers the independent non-executive Directors remained independent.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development

Directors' training is an ongoing process. During the year, Directors received regular updates and presentations on changes and developments to the Group's business and to environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. All Directors are required to provide the Company with his or her annual training record.

The Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

	Directors	**Types of training**
Executive Directors	Rui Xin Sheng	B,C
	Pan Chun	B,C
Non-executive Directors	Zeng Xian Biao	B
	Yu Xiao Ping	B
	Leng Yi Xin	B,C
	Wang Jian Ping	B
Independent non-executive Directors	Ouyang Ping Kai	B
	Yang Sheng Li	B
	Wei Xin	B
	Au Fung Lan	A,B

A: attending seminars provided by external parties
B: reading materials in relation to regulatory update
C: attending internal training sessions provided by the Company

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee was established to ensure there are formal and transparent procedures for developing and overseeing the Company's policies on the remuneration of its directors and senior management. The Remuneration Committee comprises four independent non-executive Directors, namely, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms.Wei Xin and Ms. Au Fung Lan and an executive Director, Mr. Rui Xin Sheng. The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee held one meeting in 2015 to assess the performance of the executive Directors and review the policy for the remuneration of the Directors and how the Group complied with the staff incentive bonus scheme as stated below. The attendance rate of individual members for the year ended 31 December 2015 was as follows:

Name of committee member	Attended/Eligible to attend
Rui Xin Sheng	1/1
Ouyang Ping Kai	1/1
Yang Sheng Li	1/1
Wei Xin	1/1
Au Fung Lan	1/1

The remunerations of Directors and senior management are based on the skill, knowledge and involvement in the Company's affair of each Director or senior management and are also determined with reference to the performance and profitability of the Group. The Company has formulated a staff incentive bonus scheme. Details of which is set out in the paragraph headed "Employees" under the section headed "Management Discussion and Analysis".

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the 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 primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process and internal control system of the Group, to review the Group's financial information and to review the audit plan, audit findings and independence of the auditors of the Company. The Audit Committee held four meetings for the year ended 31 December 2015, two of which were with the attendance of the external auditor. The attendance rate of individual members for the year ended 31 December 2015 was as follows:

Name of committee member	Attended/Eligible to attend
Ouyang Ping Kai	4/4
Yang Sheng Li	4/4
Wei Xin	4/4
Au Fung Lan	4/4

Duties performed by the Audit Committee for the year were as follows:

1. made recommendations to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

2. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussed with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

CORPORATE GOVERNANCE REPORT

3. reviewed the Group's financial information, monitored the integrity of the Group's financial statements and the annual report and accounts and half-year report and reviewed significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee had focused particularly on:–

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit (if any);

   (iv) the going concern assumptions and any qualifications;

   (v) compliance with accounting standards;

   (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

   (vii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts;

4. reviewed the Group's financial controls and internal controls, among others, by discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system; reviewed the Group's financial and accounting policies and practices; and reported to the Board on the matters in the CG Code.

Nomination Committee

The Nomination Committee was established to formulate and implement the nomination policy and Board Diversity Policy, nominate candidates of Directors for election by shareholders and to assess the independence of independent non-executive Directors. The Nomination Committee comprises four independent non-executive Directors, namely, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms. Wei Xin and Ms. Au Fung Lan and an executive Director, Mr. Rui Xin Sheng.

The Nomination Committee held one meeting in 2015 to review the structure, size and composition of the Board and to assess the independence of independent non-executive Directors. The attendance rate of individual members for the year ended 31 December 2015 was as follows:

Name of committee member	Attended/Eligible to attend
Rui Xin Sheng	1/1
Ouyang Ping Kai	1/1
Yang Sheng Li	1/1
Wei Xin	1/1
Au Fung Lan	1/1

THE SUPERVISORY COMMITTEE

The supervisory committee is accountable to the general meeting. The primary responsibilities of the supervisory committee include the monitoring of whether the Directors and senior management have, in the performance of their duties, acted in contravention of any laws, administrative regulations, the Articles of Association of the Company or the resolutions passed at general meetings; and the reviewing of the Company's financial information. Supervisors can attend the Board meetings.

The supervisory committee comprises two supervisors nominated by shareholders, Ms. Zhou Rui Juan and Mr. Lu He Xing, a supervisor nominated by employees, Mr. Zhang Jun Peng and two independent supervisors nominated by shareholders, Prof. Jiang Yao Zhong and Mr. Geng Gang. Each of Ms. Zhou Rui Juan and Mr. Zhang Jun Peng has entered into a service agreement with the Company. Mr. Lu He Xing, Prof. Jiang Yao Zhong and Mr. Geng Gang have not entered into any service agreement with the Company. The terms of each supervisor is not more than three years and will be expired on 17 June 2016.

The supervisory committee held two meetings for the year ended 31 December 2015 with attendance rate of 100%.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, Ms. Wan, Pui Ling Alice , is responsible for facilitating the Board process, as well as communications among Board members, with shareholders and management. She reports to the Board Chairman and the general manager of the Company. The Company Secretary's biography is set out in the "Profiles of Directors, Supervisors and Senior Management" section of this Annual Report. During 2015, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015, which give a true and fair view of the state of affairs of the Group at that date and of the Group's profit and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 50 and 51.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that the Group has a sound and effective internal control system. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's operation and performance by the Audit Committee and the Board. The internal control system is reviewed on an ongoing basis by the Board to ensure it is effective. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Board has conducted review of the effectiveness of the system of internal controls and is of the view that the system of internal controls adopted for the year ended 31 December 2015 is sound and effective. The Group does not have an internal audit function and the Board will start to engage an external professional party to carry out the interim audit function in 2016.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers have been re-appointed as the Company's international external auditor by the shareholders at the 2015 annual general meeting. They are primarily responsible for providing audit services in connection with the Company's annual financial statements.

During the year, the total remuneration in respect of audit services provided by the external auditor amounted to HK$1,360,000 (approximately equivalent to Rmb1,139,000) (2014: HK$1,320,000 (approximately equivalent to Rmb1,041,000)).

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 61 of the Articles and Associations of the Company, shareholder(s) holding 10% or more of the Company's issued capital that carry voting rights request(s) in writing for the convening of an extraordinary general meeting, the board of Directors shall convene an extraordinary general meeting within 2 months.

Procedures for putting forward proposals at shareholders' meeting

Pursuant to Article 63 of the Articles and Associations of the Company, when the Company convenes a shareholders' annual general meeting, shareholder(s) holding 5% or more of the total shares carrying voting rights of the Company are entitled to propose new matters in writing to be considered, and the Company shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the general meeting provided that the proposal is delivered to the Company within 30 days from the issue of the notice of the meeting.

Procedures for nominating a new Director

Pursuant to Article 97 of the Articles and Associations of the Company, a notice of the intention to propose a person for election as Director and the written notice by such candidate of his/her willingness to accept the nomination shall be given to the Company no less than seven days. The minimum seven-day period of lodgement by the shareholders of notice to nominate a Director shall commence no earlier than the date after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.

Communications with Shareholders

The Board always welcome Shareholders' and other stakeholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Room 54, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong.

Articles of Association

The Company has not revised the Articles of Association to the Company during the year ended 31 December 2015.

By order of the Board

Rui Xin Sheng
Chairman

The PRC, 16 March 2016

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are the production and sale of organic acids. The activities of the subsidiaries are set out in note 18 to the consolidated financial statements.

An analysis of the Group's revenue for the year by geographic segments is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 52.

No interim dividend was declared during the year (2014: Nil). The Directors recommend the payment of a final dividend of Rmb0.026 (2014: Rmb0.022) (inclusive of tax) per share for the year ended 31 December 2015, totalling approximately Rmb13,772,000 (2014: Rmb11,653,000).

DONATIONS

Charitable and other donations made by the Group during the year amounted to Rmb140,000 (2014: Rmb140,000).

SHARE ISSUED IN THE YEAR

Details of the shares issued by the Company in the year ended 31 December 2015 are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the distributable reserves of the Company were approximately Rmb 323,308,000 (2014: Rmb290,868,000) as reported in the statutory financial statements prepared in accordance with the PRC Generally Accepted Accounting Principles.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC, being the jurisdiction in which the Company was established, which provides the existing shareholders with pre-emptive rights to purchase new shares in any new issue of the Company according to their respective proportion of shareholding.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five years is set out on page 112 of the annual report.

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.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year were:

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

Non-executive Directors
Mr. Zeng Xian Biao
Mr. Yu Xiao Ping
Ms. Leng Yi Xin
Mr. Wang Jian Ping

Independent non-executive Directors
Prof. Ouyang Ping Kai
Prof. Yang Sheng Li
Ms. Wei Xin
Ms. Au Fung Lan

Supervisors nominated by shareholders
Ms. Zhou Rui Juan
Mr. Lu He Xing

Supervisor nominated by employees
Mr. Zhang Jun Peng

Independent Supervisors nominated by shareholders
Prof. Jiang Yao Zhong
Mr. Geng Gang

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS (Continued)

The terms of each of the Directors and Supervisors will be expired on 17 June 2016. In accordance with Article 97, 116 and 117 of the Company's Articles of Association, Directors and Supervisors nominated by shareholders shall be elected at the shareholders' general meeting for a term of three years. Supervisor who is a representative of employees shall be elected by the employees of the Company for a term of three years. A Director or Supervisor may serve consecutive terms if re-elected upon the expiration of the terms.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of Mr. Rui Xin Sheng, Mr. Pan Chun, Ms. Zhou Rui Juan and Mr. Zhang Jun Peng has entered into a service agreement with the Company. All the other Directors and Supervisors have not entered into any service agreement with the Company.

Save as above, no Director or Supervisor who is proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director, a Supervisor and a connected party of a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

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, 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:

Director	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares (Note (l))	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (m))	Number of H Shares	Approximate percentage shareholding in the H Shares (Note (n))
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%	–	–

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 (Continued)

Long positions in shares: (Continued)

Director	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares (Note (l))	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (m))	Number of H Shares	Approximate percentage shareholding in the H Shares (Note (n))
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.

REPORT OF THE DIRECTORS

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 (Continued)

(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.

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 (Continued)

(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 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 as at 31 December 2015.

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

(n) The percentage is calculated based on the 183,700,000 Foreign 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, and (d) the Hong Kong Companies Ordinance (Cap. 622) to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

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

At no time during the year was the Company, of its subsidiaries or its other associates corporation a party to any arrangement (including share option scheme) to enable the Directors, Supervisors and chief executives 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 or underlying shares in or debentures of the Company or its specific undertaking or other associates 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 or 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%

REPORT OF THE DIRECTORS

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 (Continued)

Long positions in shares: (Continued)

Name of Shareholder	Capacity	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (f))
Jomo Limited	Beneficial owner	66,000,000	19.21%
Ms. Lam Mau	Interest of spouse and interest of controlled corporation	66,000,000 (Note (c))	19.21%
Kehai Venture Capital (Hong Kong) Limited	Beneficial owner	62,500,000	18.20%
上海科技創業投資股份有限公司 (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 as at 31 December 2015.

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 (Continued)

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 or were substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

EMOLUMENT POLICY

Employees are remunerated in accordance with the nature of the job and also on individual merit.

The emoluments of the Directors and Supervisors are determined by the Remuneration Committee, with reference to their respective contribution of time, effort and expertise on the Company's matters.

The Company has adopted a staff incentive bonus scheme, please refer to the paragraph headed "Employees" under the section headed "Management Discussion and Analysis" for details.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

	2015	2014
– the largest supplier	**7%**	11%
– five largest suppliers combined	**28%**	43%

Sales

	2015	2014
– the largest customer	**5%**	11%
– five largest customers combined	**20%**	23%

At no time during the year have the Directors, Supervisors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

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 the 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 GEM on 28 June 2002 and the listing of which was transferred from 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.

SHARE CAPITAL STRUCTURE (Continued)

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

As at the date of this report, 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.

RETIREMENT SCHEMES

Details of the retirement schemes are set out in notes 2.23(a) and 12 to the consolidated financial statements.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

(a) Business performance and future development

Discussion on the business performance and future development of the Group is set out in the session headed "Chairman's Statement".

Analysis of the key performance indicators of the Group is set out in the session headed "Management Discussion and Analysis".

These discussions form part of the "Report of the Directors".

(b) Environmental policies and performance

The Board is well aware of the importance of environmental protection on the Group's sustainability and stable development, and at the same time strives to improve product quality while achieving the best balance between cost control and environmental protection. The Group has established an environmental management system to promote clean production, to prevent pollution and to reduce the risk of environmental accidents. The Group aims to be a resource-saving and environment-friendly enterprise with low energy and resources consumption and low level of discharge on wastages. The Group's production safety and environmental protection department dedicates to strengthen its environmental protection, actively implements environmental policies, vigorously carries out environmental management, and takes energy-saving measures to achieve reduction on pollution.

All of the Group's production is conducted in Mainland China. The Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. Some of these regulations govern the level of fees payable to government entities providing environmental protection services and the prescribed standards relating to the discharge of solid wastes, effluent and gases.

The Group's production technology enables the Group to effectively control the pollution caused by the production process. The Group has installed waste disposal facilities to reduce waste discharge. The Group did not aware of any violations of the laws and regulations on environmental protection in 2015.

(c) Laws and regulations that have a significant impact on the Company

The Group is mainly engaged in the production of organic acids, which are used as food additives and pharmaceutical intermediates, etc. Accordingly, the Group is required to comply with the above laws and regulations on environmental protection. It is also required to comply with the Law of Work Safety, Food Safety Law, Labor Contract Law and Company Law, etc. in the PRC. The H shares of the Company are listed on the Main Board, therefore the Company also needs to comply with the Listing Rules and the disclosure requirements the Hong Kong Companies Ordinance.

The Group did not aware of any non-compliance with applicable laws and regulations that have a significant impact on the Group for the year ended 31 December 2015.

BUSINESS REVIEW (Continued)

(d) Key relationships

Employees

The Group's principle is people-oriented. It continuously improves the working environment and remuneration and to provide a broad developmental platform for the employees to display their individual talents. It has resolutely implemented the relevant national and local government laws and regulations in relation to employment. The Group has established a fine social responsibility system, covering all aspects of employment regulations and social welfare. The Group provides its staff with a safe working environment by implementing the safety standard management and has accredited as the national "Second Grade Enterprise of Work Safety Standardisation" (安全生產標準化二級企業).

The Group attaches great importance to staff training. Management personnel involved in the production have to participate in safety training and pass the assessment by Changzhou production safety publicity and education centres. The Group's production safety and environmental protection department organises trainings on relevant laws and regulations, safety and environmental protection knowledge, and enterprise management system on environmental protection for the person in charge of safety and head of different production lines each month. The production safety and environmental protection department also organises training for staff working in the production lines on safety production and technology operation, techniques on operation of new equipment before commencement of new projects and production with new production technologies.

In addition, pay raise and benefits for employees every year are based on their performance. The Group organised different social activities every year, so that the employees in various positions of different departments of the Group can increase communication and strengthen interaction.

Customers

After 20 years of accumulation, the Group's customers are all over the world. The Group has always focused on maintaining customer relationships. In recent years, the Group has continued to strengthen direct sales to end-users with a closer and long-term customer relation.

The Group strictly controlled its product safety and quality to maintain quality leadership and ensure customer satisfaction. The Group conducts customer satisfaction survey each year to obtain customers' feedback and understand their requirements, as well as serve as an objective assessment to the Group. Reports show that the Group's customers were very satisfied in 2015.

REPORT OF THE DIRECTORS

BUSINESS REVIEW (Continued)

(d) Key relationships (Continued)

Suppliers

The Group has more than 100 qualified suppliers. To become qualified suppliers, their samples have to pass the examination and the pre-production of the Group. Performance of all suppliers for the previous year would be evaluated at the beginning of each year and they can continue as the Group's suppliers after passing the evaluation. The Group has a procurement management systems and has developed a series of procurement control procedures for strict selection of suppliers and control the procurement process. Procurement staff regularly visits suppliers to maintain close contacts and good cooperation relations with them.

(e) Principal risks and uncertainties

The Group and its business environment continues to develop and change, and thus the Group has to face different risks. The Group has set up a risk committee in November 2015 to review the effectiveness of its risk management system, major risks and emerging risks, and perform in-depth views on major risk areas depending on the needs. Risk committee meets every regularly, and reports to the Board. The followings are the principal risks and uncertainties of the Group:

1. *Research and development*

   The Group has two research centres. The Group will invest in research and development to improve existing production technologies and develop new production technologies each year. The Group's future prospects will be dependent upon the successful development and commercialisation of products currently under development. Successful development is, however, uncertain. There is also no assurance that a product can receive market acceptance and is competitive in the market. The Group will take into account the prospect of new markets, sales prices and costs of new products before making decision to invest in research and development to control the relevant risks.

2. *Tax relief*

   The Group's net profit mainly comes from the company's production base in Changzhou. The Company, qualified as a New and High Technology Enterprise, is entitled to a preferential CIT rate of 15%. The tax relief enjoyed by the Company due to the qualification of the New and High Technology Enterprise will expire in 2016. If the Company is fail to renew such qualification, there will be a material impact on the Group's profit. The Company has actively co-ordinated different departments for applying the renewal of New and High Technology Enterprise qualification. Management is confident that the Company can continue to enjoy the relevant tax relief.

BUSINESS REVIEW (Continued)

(e) Principal risks and uncertainties (Continued)

3. *Volatility of prices for raw materials*

   The Group's main raw material is benzene, mainly purchased from Chinese suppliers. The price for benzene is affected by various factors and the Group does not and will not control over those factors. Those factors include the prices of crude oil, global and regional supply and demand for benzene, domestic and foreign government regulations, weather conditions and global economic conditions. Any increase in the price for benzene which cannot be passed on to the Group's customers may adversely affect the Group's business and results of operations. Since the end of 2014, crude oil price has been declining, there has been a corresponding reduction in the price for benzene which has a positive impact on the Group's production costs.

4. *Competition*

   Approximately 50% of the Group's products are exported overseas, while approximate 50% of the sales are in the domestic (including import and export companies) market for the year ended 31 December 2015. Whether in foreign or domestic market, food additives and pharmaceutical intermediates industry are intensively competitive. Any increase in the level of competition could result in price reduction and erode the Group's market share and gross profit margin. The Group continuously monitors and analyses the competitive situation and market information and makes early estimate to adverse movements and takes corresponding measures. The Group has also taken measures to strengthen the brand, to promote business growth and consolidate the brand's market position. In addition, the Group continues to make improvement on production technologies to reduce production costs and improve product quality so that its products will be more competitive.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

REPORT OF THE DIRECTORS

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Rui Xin Sheng
Chairman

The PRC, 16 March 2016

REPORT OF THE SUPERVISORY COMMITTEE

To the Shareholders,

During the year ended 31 December 2015, the supervisory committee of Changmao Biochemical Engineering Company Limited (the "Supervisory Committee"), exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of trustworthiness, honestly carried out the duties of supervisors and worked cautiously and diligently, in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company for their accountability to the shareholders.

During the year, the major work performed by the Supervisory Committee included the attendance of the Board meetings; reviewing the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders' approval at the forthcoming annual general meeting; strictly and effectively monitored that whether the policies and decisions made by the management of the Company had conformed with the state laws and regulations of the PRC and the Articles of Association of the Company or safeguarded the interest of the shareholders. The Supervisory Committee has also reviewed the performance of the Directors, general manager and senior management in the daily operation by various means; seriously examined the Company's financial affairs and its connected transactions.

After the examination, the Supervisory Committee concluded that:

1. the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders' approval at the forthcoming annual general meeting are in accordance with the relevant laws and regulations and the Articles of Association of the Company;

2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Directors, general manager and other senior management of the Company have abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees nor contravened any laws and regulations or the Articles of Association of the Company;

REPORT OF THE SUPERVISORY COMMITTEE

3. the consolidated financial statements of the Group for the year ended 31 December 2015, which have been audited by PricewaterhouseCoopers, reflected truly and fairly the operating results and financial position of the Company and its subsidiaries. The connected transactions were in compliance with the Listing Rules and were fair and reasonable and had not infringed upon the interest of the Company and the shareholders.

The Supervisory Committee takes this opportunity to thank the shareholders, Directors and all the employees of the Company for their supports in the past year!

By order of the Supervisory Committee

Zhou Rui Juan
Chairman of the Supervisory Committee

The PRC, 16 March 2016

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHANGMAO BIOCHEMICAL ENGINEERING COMPANY LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Changmao Biochemical Engineering Company Limited (the "Company") and its subsidiaries set out on pages 52 to 111, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2015

	Note	2015 Rmb'000	2014 Rmb'000
Revenue	5	514,779	561,669
Cost of sales	7	(399,949)	(450,340)
Gross profit		114,830	111,329
Other income	6	3,065	6,943
Other gains/(losses), net	6	7,136	(44)
Selling expenses	7	(15,096)	(14,196)
Administrative expenses	7	(59,615)	(58,965)
Operating profit		50,320	45,067
Finance income		687	1,405
Finance costs		–	(4,557)
Finance income/(costs), net	8	687	(3,152)
Profit before income tax		51,007	41,915
Income tax expense	9	(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	10	Rmb0.085	Rmb0.070

The notes on pages 57 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 December 2015

	Note	2015 Rmb'000	2014 Rmb'000
ASSETS			
Non-current assets			
Patents	14	1,190	2,314
Property, plant and equipment	15	276,296	283,926
Land use rights	16	28,058	28,744
Construction in progress	17	94,655	89,483
Deferred income tax assets	28	2,549	1,030
		402,748	405,497
Current assets			
Inventories	20	130,199	125,004
Trade receivables	21	71,037	75,759
Other receivables and prepayments		21,599	16,315
Income tax recoverable		–	293
Pledged bank balances	23	8,830	7,724
Cash and bank balances	23	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	24	52,970	52,970
Reserves	25	514,189	480,568
		567,159	533,538
Non-controlling interests		2,148	2,276
Total equity		569,307	535,814

The notes on pages 57 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 December 2015

	Note	2015 Rmb'000	2014 Rmb'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	264	343
Current liabilities			
Trade and bills payables	26	41,936	39,771
Other payables and accrued charges		26,496	26,125
Derivative financial instruments	22	446	242
Income tax payable		1,755	–
Bank borrowings	27	90,000	90,000
		160,633	156,138
Total liabilities		160,897	156,481
Total equity and liabilities		730,204	692,295

The financial statements on pages 52 to 111 were approved by the Board of Directors on 16 March 2016 and were signed on its behalf

Rui Xin Sheng	**Pan Chun**
Director	*Director*

The notes on pages 57 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2015

		Attributable to equity holders of the Company					
	Note	Share capital Rmb'000	Other reserves Rmb'000	Retained earnings Rmb'000	Total Rmb'000	Non-controlling interests Rmb'000	Total Rmb'000
Balance at 1 January 2014		52,970	168,869	295,635	517,474	2,081	519,555
Transfer of profit to statutory reserve	25	–	3,406	(3,406)	–	–	–
Profit for the year		–	–	37,223	37,223	195	37,418
Other comprehensive income – currency translation difference – Group		–	29	–	29	–	29
Final dividend for the year ended 31 December 2013		–	–	(21,188)	(21,188)	–	(21,188)
Balance at 31 December 2014		52,970	172,304	308,264	533,538	2,276	535,814
Balance at 1 January 2015		52,970	172,304	308,264	533,538	2,276	535,814
Transfer of profit to statutory reserve	25	–	4,899	(4,899)	–	–	–
Profit for the year		–	–	45,274	45,274	(128)	45,146
Final dividend for the year ended 31 December 2014		–	–	(11,653)	(11,653)	–	(11,653)
Balance at 31 December 2015		52,970	177,203	336,986	567,159	2,148	569,307

The notes on pages 57 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 December 2015

	Note	2015 Rmb'000	2014 Rmb'000
Cash flows from operating activities			
Cash generated from operations	29(a)	80,961	109,715
Interest paid		(3,631)	(6,851)
Income tax paid		(5,411)	(6,696)
Net cash generated from operating activities		71,919	96,168
Cash flows from investing activities			
Proceeds from disposal of patents		2,000	2,500
Purchase of property, plant and equipment		(46)	(361)
Proceeds from disposal of property, plant and equipment		139	10
Additions of land use rights		–	(984)
Additions of construction in progress		(30,524)	(63,580)
Government grants received		2,672	1,196
Increase in pledged bank balances		(1,106)	(3,282)
Decrease/(increase) in short-term bank deposits with maturities of over 3 months		1,600	(2,600)
Interest received		687	1,405
Net cash used in investing activities		(24,578)	(65,696)
Cash flows from financing activities			
New bank borrowings	29(b)	140,000	215,700
Repayment of bank borrowings	29(b)	(140,000)	(230,700)
Dividends paid	29(b)	(11,653)	(21,188)
Net cash used in financing activities		(11,653)	(36,188)
Net increase/(decrease) in cash and cash equivalents		35,688	(5,716)
Effect of foreign exchange rate changes		–	29
Cash and cash equivalents at 1 January		57,503	63,190
Cash and cash equivalents at 31 December	23	93,191	57,503

The notes on pages 57 to 111 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Changmao Biochemical Engineering Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The Company formerly listed its H shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("SEHK") on 28 June 2002 which was then transferred to the Main Board of the SEHK on 28 June 2013. The principal activities of the Company and its subsidiaries (together, the "Group") are the production and sales of organic acids.

The address of the Company's registered office is No.1228 Chang Jiang Bei Road, New North Zone, Changzhou City, Jiangsu Province, 213034, the PRC.

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Changmao Biochemical Engineering Company Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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 Hong Kong Accounting Standard ("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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(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 (Continued)*

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.

2.2 Subsidiaries

(a) *Consolidation*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2015.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Costs include direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executives directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("Rmb"), which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains, net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Patents

Patents are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Patents are amortised using the straight-line method over their estimated useful lives as follows:

Acid patent	15 years
Nutraceutical patent	19 years

Where an indication of impairment exists, the carrying amounts of the patents are assessed and written down immediately to their recoverable amounts.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their estimated residual values over their estimated useful lives, as follows:

Buildings	20-50 years
Plant and machinery	10 years
Equipment and motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the income statement.

2.7 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights are amortised using the straight-line method over their estimated useful lives of 50 years.

Where an indication of impairment exists, the carrying amounts of the land use rights are assessed and written down immediately to their recoverable amounts.

2.8 Construction in progress

Construction in progress is stated at cost, which comprises construction costs, purchase costs, interest and other direct costs incurred in connection with the construction of buildings, plant and machinery for own use, less accumulated impairment losses, if any.

No depreciation is provided for in respect of construction in progress until the construction and installation is completed and ready for their intended use, upon which they will be transferred to appropriate categories of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "pledged bank balances" and "cash and bank balances" in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other (losses)/gains, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditures. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank deposits with original maturities of more than three months are excluded from cash and cash equivalents.

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates its forward foreign exchange contracts as derivatives financial instruments and they are accounted for at fair value through profit or loss, Changes in the fair value of these derivative instruments are recognised immediately in the income statement within "other (losses)/gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employees benefits

(a) Pension obligations

The Group contributes to various employee retirement benefit plans organised by municipal and provincial governments in Mainland China for its PRC based employees. Under these plans, the municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees of the Group. Contributions to these plans are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no further payment obligations once the contributions have been paid.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employees benefits (Continued)

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.24 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of goods is recognised when goods are delivered to customers and title has passed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on the straight-line basis to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group uses derivative financial instruments to manage certain foreign exchange risk exposures. The use of financial derivatives to hedge certain risk exposures is governed by the Group's policies approved by the Board of Directors.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk

The Group mainly operates in the PRC. Substantially all of its assets, liabilities and capital expenditure were 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 United States Dollars ("USD").

Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposures should the need arises. During the year, the Group used forward contracts to hedge its foreign currency exposure in USD.

At 31 December 2015, if Rmb had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been approximately Rmb2,239,000 (2014: Rmb2,422,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, USD-denominated other payables and USD-denominated bank deposits.

(b) Credit risk

The carrying amounts of trade and other receivables and cash at bank represent the Group's maximum exposure to credit risk in relation to financial assets.

Substantially all of the Group's bank balances are deposited in major financial institutions located in the PRC, which management believes are of high credit quality. Management does not expect any losses from non-performance by these banks.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers, taking into account its financial position, past experience and other factors. The Directors consider the Group does not have a significant concentration of credit risk. No single customer accounted for more than 5% of the Group's total revenue during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's primary cash requirements have been for construction of and upgrades on property, plant and equipment, repayment on related borrowings and payment for research and development expenses. The Group finances its working capital requirements through funds generated from operations and short-term bank borrowings.

Due to the dynamic nature of the underlying businesses, the Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate lines of funding to meet its liquidity requirements in the short and long term.

As at 31 December 2015 and 2014, all of the Group's trade and bills payables, other payables and bank borrowings were all due for settlement contractually within 1 year.

The table below summarises the contractual undiscounted cash flows in relation to the Group's financial liabilities.

	2015 Rmb'000	2014 Rmb'000
Trade and bills payables	41,936	39,771
Other payables	9,417	11,101
Bank borrowings and interest thereon	92,218	91,864

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and bank balances, details of which are disclosed in Note 23. The Group's exposure to changes in interest rates is mainly attributable to its short-term bank borrowings. Management intends to draw short-term bank loans so as to increase flexibility in financing.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest-rate risk.

At 31 December 2015, if the interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately Rmb90,000 (2014: Rmb90,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares from shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the liabilities-to-assets ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain the ratio at a reasonable level.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The liabilities-to-assets ratio at 31 December 2015 and 2014 was as follows:

	2015 Rmb'000	2014 Rmb'000
Total liabilities	160,897	156,481
Total assets	730,204	692,295
Liabilities-to-assets ratio	22.0%	22.6%

3.3 Fair value estimation

Financial instruments carried at fair value are analysed by valuation method below. Different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2015, the Group had several foreign exchange forward contracts liabilities of carrying amounts of Rmb446,000 (2014: liabilities of Rmb242,000), which were measured by level 2 of the fair value measurement hierarchy.

The carrying amounts of the Group's current financial assets, including cash and bank balances, pledged bank balances, trade and other receivables, and current financial liabilities, including trade and bills payables, other payables and short-term bank borrowings, approximate their fair values due to their short maturities.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2015 and 2014.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, with reference to the estimated periods that the Group intends to derive future economic benefits from use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives or residual values are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on fair value less cost to sell calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Estimated write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Provisions are made for inventories where events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. In addition, management has assessed the realisability of the inventories and considers that the provision for inventories impairment is adequate and reasonable in the current year.

(d) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(e) Income taxes and deferred tax

The Group is subject to income taxes in Mainland China. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

(f) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits.

Significant judgement is required in determining the capitalisation of development costs. Development costs that are recognised as assets are amortised on the straight-line basis to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred.

5 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 sales 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 Rmb'000	2014 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 Rmb'000	2014 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.

5 REVENUE AND SEGMENT INFORMATION (Continued)

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.

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

	2015 Rmb'000	2014 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 Rmb'000	2014 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	2015 Rmb'000	2014 Rmb'000
Cost of inventories sold	233,652	293,175
Amortisation of patents (Note 14)	770	802
Amortisation of land use rights (Note 16)	686	617
Auditors' remuneration	1,139	1,041
Depreciation (Note 15)	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) (Note 12)	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.

8 FINANCE INCOME/(COSTS), NET

	2015 Rmb'000	2014 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

9 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%.

9 INCOME TAX EXPENSE (Continued)

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

	2015 Rmb'000	2014 Rmb'000
Current income tax		
– Provision for CIT	7,533	4,710
– Over-provision in prior year	(74)	(111)
Deferred income tax (Note 28)	(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 Rmb'000	2014 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 years	(1,451)	–
Over-provision in prior year	(74)	(111)
Others	208	(274)
Income tax expense	5,861	4,497

9 INCOME TAX EXPENSE (Continued)

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.

10 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).

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

12 STAFF COSTS

Staff costs including Directors' and Supervisors' remuneration are as follows:

	2015 Rmb'000	2014 Rmb'000
Salaries, wages and related welfare	47,566	44,807
Social security costs	5,866	5,768
Contribution to defined contribution retirement schemes (Note)	6,362	5,792
	59,794	56,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 STAFF COSTS (Continued)

Note: The Group is required to participate in defined contribution retirement schemes organised by the relevant local government authorities for its PRC based employees. Contributions to the retirement schemes are payable at a rate of 21% (2014: 21%) of the total salaries and allowances of the PRC based employees, subject to a ceiling, and the Group has no further retirement benefit obligations to all its existing and future retired PRC based employees.

13 EMOLUMENTS OF SUPERVISORS AND SENIOR MANAGEMENT

(a) The remuneration of each of the Supervisors of the Company for the year ended 31 December 2015 is set out as follows:

Name of Supervisor	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefit	Retirement benefits contributions	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Ms. Zhou Rui Juan	15	45	–	–	–	–	60
Mr. Lu He Xing	6	–	–	–	–	–	6
Mr. Zhang Jun Peng	6	198	–	–	–	19	223
Prof. Jiang Yao Zhong	15	–	–	–	–	–	15
Mr. Geng Gang	15	–	–	–	–	–	15

The remuneration of each of the Supervisors of the Company for the year ended 31 December 2014 is set out as follows:

Name of Supervisor	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Retirement benefit contributions	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Ms. Zhou Rui Juan	15	43	–	–	–	–	58
Mr. Lu He Xing	6	–	–	–	–	–	6
Mr. Zhang Jun Peng	6	213	–	–	–	18	237
Prof. Jiang Yao Zhong	15	–	–	–	–	–	15
Mr. Geng Gang	15	–	–	–	–	–	15

None of the supervisors received or will receive any retirement benefits or termination benefits during the financial year (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS OF SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Five highest paid individuals

Among the five highest paid individuals, two (2014: two) of them are Directors of the Company and the details of their remuneration are disclosed in the preceding paragraph. The emoluments of the remaining three highest paid individual are as follows:

	2015 Rmb'000	2014 Rmb'000
Basic salaries, allowances and benefits in kind	1,390	1,374
Discretionary bonus	123	–
Retirement benefit contributions	86	62
	1,599	1,436

The emoluments of each of the above 3 employees were all less than HK$1,000,000.

(c) Senior management remuneration by band

All senior management's (who are not Directors nor Supervisors) emolument did not exceed HK$1,000,000 each.

14 PATENTS

	2015 Rmb'000	2014 Rmb'000
Net book amount, at 1 January	2,314	3,503
Disposal	(354)	(387)
Amortisation charge (Note 7)	(770)	(802)
Net book amount, at 31 December	1,190	2,314

	2015 Rmb'000	2014 Rmb'000
At cost	11,600	12,200
Accumulated amortisation	(10,410)	(9,886)
Net book amount, at 31 December	1,190	2,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings Rmb'000	Plant and machinery Rmb'000	Equipment and motor vehicles Rmb'000	Total Rmb'000
At 1 January 2014				
Cost	124,252	316,566	34,314	475,132
Accumulated depreciation	(36,656)	(165,504)	(25,345)	(227,505)
Net book amount	87,596	151,062	8,969	247,627
Year ended 31 December 2014				
Opening net book amount	87,596	151,062	8,969	247,627
Additions	8,233	–	361	8,594
Transfer from construction in progress (Note 17)	19,354	39,062	2,323	60,739
Disposals	–	(595)	(91)	(686)
Depreciation (Note 7)	(6,719)	(22,609)	(3,020)	(32,348)
Closing net book amount	108,464	166,920	8,542	283,926
At 31 December 2014				
Cost	151,839	349,681	36,092	537,612
Accumulated depreciation	(43,375)	(182,761)	(27,550)	(253,686)
Net book amount	108,464	166,920	8,542	283,926
Year ended 31 December 2015				
Opening net book amount	108,464	166,920	8,542	283,926
Additions	–	–	46	46
Transfer from construction in progress (Note 17)	7,850	16,768	3,487	28,105
Disposals	(36)	(440)	(14)	(490)
Depreciation (Note 7)	(7,082)	(26,156)	(2,053)	(35,291)
Closing net book amount	109,196	157,092	10,008	276,296
At 31 December 2015				
Cost	159,625	363,357	39,483	562,465
Accumulated depreciation	(50,429)	(206,265)	(29,475)	(286,169)
Net book amount	109,196	157,092	10,008	276,296

Depreciation expense of Rmb27,709,000 (2014: Rmb25,759,000) and Rmb7,582,000 (2014: Rmb6,589,000) had been charged in "cost of sales" and "administrative expenses" respectively in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for land use rights on four pieces of land located in Mainland China and their net book value are analysed as follows:

	2015 Rmb'000	2014 Rmb'000
Net book amount, at 1 January	28,744	21,377
Addition	–	7,984
Amortisation charge (Note 7)	(686)	(617)
Net book amount, at 31 December	28,058	28,744

	2015 Rmb'000	2014 Rmb'000
At cost	34,259	34,259
Accumulated amortisation	(6,201)	(5,515)
Net book amount, at 31 December	28,058	28,744

17 CONSTRUCTION IN PROGRESS

	2015 Rmb'000	2014 Rmb'000
At 1 January	89,483	84,615
Additions	33,277	65,607
Transfer to property, plant and equipment (Note 15)	(28,105)	(60,739)
At 31 December	94,655	89,483

During the year, the Group capitalised borrowing costs amounting to Rmb3,463,000 (2014: Rmb2,524,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5% (2014: 6%).

18 SUBSIDIARIES

Details of the subsidiaries at 31 December 2015 are as follows:

Name	Place of establishment, operations and kind of legal entity	Particulars of registered capital	Interest directly held	Principal activities
上海常茂生物化學工程有限公司 (Shanghai Changmao Biochemical Engineering Company Limited)	PRC, limited liability company	Rmb20,000,000	100%	Trading of organic acids and property holding
上海醫學生命科學研究中心有限公司 (Shanghai Medical Life Science Research Centre Limited) (Note a)	PRC, limited liability company	Rmb15,384,600	57.44%	Research and development of medicine and nutraceutical products
常茂生物連雲港有限公司 (Changmao Biochemical Lianyungang Company Limited)	PRC, limited liability company	Rmb50,000,000	100%	Sales and production of food additives

Note a: No summarised financial information of Shanghai Medical Life Science Research Centre Limited is presented as the non-controlling interest is not material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables Rmb'000	Assets at fair value through the profit & loss Rmb'000	Total Rmb'000
31 December 2015			
Assets as per balance sheet			
Trade and other receivables excluding prepayments	83,524	–	83,524
Pledged bank balances	8,830	–	8,830
Cash and bank balances	95,791	–	95,791
Total	188,145	–	188,145

	Other financial liabilities at amortised cost Rmb'000	Liabilities at fair value through the profit & loss Rmb'000	Total Rmb'000
31 December 2015			
Liabilities as per balance sheet			
Bank borrowings	90,000	–	90,000
Derivative financial instruments	–	446	446
Trade, bills and other payables excluding non-financial liabilities	51,353	–	51,353
Total	141,353	446	141,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Loans and receivables Rmb'000	Assets at fair value through the profit & loss Rmb'000	Total Rmb'000
31 December 2014			
Assets as per balance sheet			
Trade and other receivables excluding prepayments	82,467	–	82,467
Pledged bank balances	7,724	–	7,724
Cash and bank balances	61,703	–	61,703
Total	151,894	–	151,894

	Other financial liabilities at amortised cost Rmb'000	Liabilities at fair value through the profit & loss Rmb'000	Total Rmb'000
31 December 2014			
Liabilities as per balance sheet			
Bank borrowings	90,000	–	90,000
Derivative financial instruments	–	242	242
Trade, bills and other payables excluding non-financial liabilities	50,872	–	50,872
Total	140,872	242	141,114

20 INVENTORIES

	2015 Rmb'000	2014 Rmb'000
Raw materials	46,589	31,151
Work-in-progress	7,287	11,938
Finished goods	76,323	81,915
	130,199	125,004

The cost of inventories recognised as expense and included in "cost of sales" amounted to Rmb233,652,000 (2014: Rmb293,175,000) which included no provision for inventories to net realisable value (2014: reversal of provision for inventories to net realisable value of Rmb1,191,000).

21 TRADE RECEIVABLES

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

(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:

	2015 Rmb'000	2014 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE RECEIVABLES (Continued)

(b) As at 31 December 2015, trade receivables of approximately Rmb2,244,000 (2014: Rmb3,032,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2015 Rmb'000	2014 Rmb'000
4 to 6 months	2,055	2,832
Over 6 months	189	200
	2,244	3,032

(c) The credit quality of trade receivables neither past due nor impaired has been assessed with reference to historical information about the counterparty default rates.

(d) The carrying amounts of trade receivables approximate their fair values and are denominated in the following currencies:

	2015 Rmb'000	2014 Rmb'000
Rmb	27,104	25,403
USD	43,933	50,356
	71,037	75,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE RECEIVABLES (Continued)

(e) As at 31 December 2015, trade receivables of approximately Rmb467,000 (2014: Rmb493,000) were impaired and full provision was made. Movements on the provision for impairment of trade receivables are as follows:

	2015 Rmb'000	2014 Rmb'000
At 1 January	493	401
(Write-back of)/provision for impairment of trade receivables	(26)	92
At 31 December	467	493

Any impairment of trade receivables is included in "administrative expenses" in the consolidated statement of comprehensive income. The amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

22 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2015, derivative financial instruments represented foreign exchange forward contracts that were not qualified for hedge accounting under the requirement of HKAS 39. These contracts were used to sell USD for Rmb.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 are approximately Rmb28,544,000 (2014: Rmb79,852,000). These foreign exchange forward contracts held for trading are expected to be settled within 12 months.

23 PLEDGED BANK BALANCES AND CASH AND BANK BALANCES

	2015 Rmb'000	2014 Rmb'000
Short-term bank deposits with original maturities of over 3 months	2,600	4,200
Cash and cash equivalents	93,191	57,503
Cash and bank balances	95,791	61,703
Pledged bank balances	8,830	7,724
Total	104,621	69,427

	2015 Rmb'000	2014 Rmb'000
Denominated in:		
– Rmb	95,594	62,757
– USD	8,999	6,644
– HKD	28	26
	104,621	69,427

The effective interest rate on the short-term bank deposits with original maturities of over 3 months are 1.75% to 3% per annum. These deposits have remaining maturities ranged from 1 month to 1 year as at 31 December 2015.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The conversion of Renminbi denominated balances into foreign currencies and the remittance of these funds out of the Mainland China is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Bank balances of Rmb8,830,000 (2014: Rmb7,724,000) have been pledged to a bank to secure the Group's bills financing facilities as at 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE CAPITAL

Registered, issued and fully paid:

	Share capital: Number of shares at Rmb0.10 each	Share capital: Nominal value Rmb'000
At 31 December 2015 and 2014	529,700,000	52,970

As at 31 December 2015 and 2014, the share capital of the Company comprised 2.5 million domestic shares, 343.5 million promoter foreign shares and 183.7 million H shares. The H shares rank pari passu with the domestic shares and promoter foreign shares in all aspects and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed by legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC.

25 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

	Retained earnings Rmb'000
Representing:	
2014 proposed final dividend	11,653
Others	296,611
	308,264

25 RESERVES (Continued)

	Share premium	Statutory common reserve	Capital reserve	Translation reserve	Retained earnings	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
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

Statutory common reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its profit after tax, as determined in accordance with the PRC accounting rules and regulations, to statutory common reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory common reserve can be used to make good previous years' losses, if any, to expand the business operations of the Company and may be converted into share capital by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TRADE AND BILLS PAYABLES

	2015 Rmb'000	2014 Rmb'000
Trade payables	12,504	16,587
Bills payable	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 Rmb'000	2014 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 dates of bills payables are normally within 6 months.

(c) The carrying amounts of trade and bills payables approximate their fair values and are all denominated in Rmb.

27 BANK BORROWINGS

The maturity of borrowings is as follows:

	2015 Rmb'000	2014 Rmb'000
Within 1 year	90,000	90,000

The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in Rmb.

As at 31 December 2015, the effective interest rate of the bank borrowings was 4.4% (2014: 5.5%).

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2015 Rmb'000	2014 Rmb'000
Deferred income tax assets to be recovered within 12 months	2,549	1,030
Deferred income tax liabilities to be settled after more than 12 months	(264)	(343)
Deferred income tax assets – net	2,285	687

The gross movement on the deferred income tax account is as follows:

	2015 Rmb'000	2014 Rmb'000
At 1 January	687	585
Credited to the statement of comprehensive income (Note 9)	1,598	102
At 31 December	2,285	687

28 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Deferred income Rmb'000	Decelerated tax depreciation Rmb'000	Provisions Rmb'000	Total Rmb'000
At 1 January 2014	–	76	982	1,058
Charged to the consolidated statement of comprehensive income	–	(14)	(14)	(28)
At 31 December 2014	–	62	968	1,030
Credited/(charged) to the consolidated statement of comprehensive income	1,612	(62)	(31)	1,519
At 31 December 2015	1,612	–	937	2,549

28 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities:

	Accelerated tax depreciation Rmb'000	Fair value gain on patents Rmb'000	Total Rmb'000
At 1 January 2014	–	473	473
Credited to the consolidated statement of comprehensive income	–	(130)	(130)
At 31 December 2014	–	343	343
Charged/(credited) to the consolidated statement of comprehensive income	36	(115)	(79)
At 31 December 2015	36	228	264

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately Rmb1,245,000 (2014: Rmb311,000) in respect of losses amounting to approximately Rmb4,978,000 (2014: Rmb1,322,000) that can be carried forward against future taxable income. The unrecognised tax losses will expire in the following years:

	2015 Rmb'000	2014 Rmb'000
2015	–	181
2017	13	13
2018	204	204
2019	924	924
2020	3,837	–
	4,978	1,322

The Group had no unrecognised deferred income tax liabilities as at 31 December 2015 (2014: Nil).

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to net cash generated from operations

	2015 Rmb'000	2014 Rmb'000
Profit before income tax	51,007	41,915
Adjustments for:		
Interest income	(687)	(1,405)
Interest expense	–	4,557
Government grants	(1,593)	(5,747)
Amortisation of patents	770	802
Gain on disposal of patents	(1,646)	(2,113)
Depreciation	35,291	32,348
Loss on disposal of property, plant and equipment	351	676
Amortisation of land use rights	686	617
Write-back of impairment of inventories	–	(1,191)
Provision for impairment of trade and other receivables	3	395
Fair value losses on derivative financial Instruments	204	2,796
	84,386	73,650
Changes in working capital:		
Inventories	(5,195)	12,133
Trade receivables, other receivables and prepayments	(565)	4,164
Trade and bills payables, other payables and accrued charges	2,335	19,768
Cash generated from operations	80,961	109,715

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Bank borrowings		Dividends payable	
	2015	2014	2015	2014
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January	90,000	105,000	–	–
New bank borrowings	140,000	215,700	–	–
Repayment of bank borrowings	(140,000)	(230,700)	–	–
2014/2013 final dividend	–	–	11,653	21,188
Dividends paid	–	–	(11,653)	(21,188)
At 31 December	90,000	90,000	–	–

30 COMMITMENTS

(a) Capital commitments for property, plant and equipment are as follows:

	2015	2014
	Rmb'000	Rmb'000
Contracted but not provided for	14,740	14,015

30 COMMITMENTS (Continued)

(b) Commitments under operating leases

The Group leases various offices and warehouses under non-cancellable operating leases. At 31 December 2015, the Group and the Company had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2015 Rmb'000	2014 Rmb'000
Not later than one year	479	225
Later than one year and not later than five years	239	–
	718	225

31 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in marking financial or operating decisions. Parties are also considered to be related if they are both subject to control or joint control by the same entity. If one entity controls or jointly controls a second entity, and the first entity has significant influence over a third party, then the second and third entities are also related to each other. Conversely, if two entities are both subject to significant influence by the same entity, the two entities are not related to each other. Related parties may be individuals or entities.

Key management compensation

	2015 Rmb'000	2014 Rmb'000
Salaries and other short-term employee benefits	1,871	1,383
Retirement benefit contributions	72	64
	1,943	1,447

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

BALANCE SHEET OF THE COMPANY

AS AT 31 December 2015

	2015 Rmb'000	2014 Rmb'000
ASSETS		
Non-current assets		
Patents	278	944
Property, plant and equipment	235,653	263,707
Land use rights	8,654	8,895
Construction in progress	6,290	2,100
Investments in subsidiaries	72,794	72,794
Deferred income tax assets	2,202	605
	325,871	349,045
Current assets		
Inventories	114,230	119,312
Trade receivables	67,299	75,702
Other receivables and prepayments	9,846	9,519
Amounts due from subsidiaries	14,419	2,951
Loans to a subsidiary	100,000	70,000
Income tax recoverable	–	293
Pledged bank balances	8,830	7,724
Cash and bank balances	89,986	51,072
	404,610	336,573
Total assets	730,481	685,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

BALANCE SHEET OF THE COMPANY (Continued)

AS AT 31 December 2015

		2015 Rmb'000	2014 Rmb'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		52,970	52,970
Reserves	Note (a)	519,025	480,656
Total equity		571,995	533,626
LIABILITIES			
Current liabilities			
Trade and bills payables		41,584	39,771
Other payables and accrued charges		22,859	21,979
Derivative financial instruments		446	242
Amount due to a subsidiary		1,842	–
Income tax payable		1,755	–
Bank borrowings		90,000	90,000
		158,486	151,992
Total equity and liabilities		730,481	685,618

The balance sheet of the Company was approved by the Board of Directors on 16 March 2016 and was signed on its behalf

Rui Xin Sheng *Director*	**Pan Chun** *Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Company			
	Share premium	**Statutory common reserve**	**Retained earnings**	**Total**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2014	102,559	65,878	298,806	467,243
Transfer of profit to statutory reserve	–	3,406	(3,406)	–
Profit and total comprehensive income for the year	–	–	34,601	34,601
Final dividend for the year ended 31 December 2013	–	–	(21,188)	(21,188)
At 31 December 2014	102,559	69,284	308,813	480,656
Representing:				
2014 proposed final dividend			11,653	
Others			297,160	
			308,813	

	Share premium	**Statutory common reserve**	**Retained earnings**	**Total**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2015	102,559	69,284	308,813	480,656
Transfer of profit to statutory reserve	–	4,899	(4,899)	–
Profit and total comprehensive income for the year	–	–	50,022	50,022
Final dividend for the year ended 31 December 2014	–	–	(11,653)	(11,653)
At 31 December 2015	102,559	74,183	342,283	519,025
Representing:				
2015 proposed final dividend			13,772	
Others			328,511	
			342,283	

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The remuneration of each of the Directors and chief executive officer's of the Company for the year ended 31 December 2015 is set out as follows:

Name of Director	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Retirement benefit contributions	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Executive director							
Mr. Rui Xin Sheng	320	519	295	–	–	36	1,170
Mr. Pan Chun (Note (i))	100	539	98	–	–	36	773
Non-executive director							
Mr. Zeng Xian Biao	50	–	49	–	–	–	99
Mr. Yu Xiao Ping	50	–	49	–	–	–	99
Ms. Leng Yi Xin	50	–	49	–	–	–	99
Mr. Wang Jian Ping	50	–	49	–	–	–	99
Independent non-executive director							
Prof. Ouyang Ping Kai	60	–	–	–	–	–	60
Prof. Yang Sheng Li	60	–	–	–	–	–	60
Ms. Wei Xin	60	–	–	–	–	–	60
Ms. Au Fung Lan	60	–	–	–	–	–	60

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of each of the Directors and chief executive officer's of the Company for the year ended 31 December 2014 is set out as follows:

Name of Director	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Retirement benefit contributions	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Executive director							
Mr. Rui Xin Sheng (Note (ii))	319	516	–	–	–	32	867
Mr. Pan Chun (Note (i))	100	448	–	–	–	32	580
Non-executive director							
Mr. Zeng Xian Biao	50	–	–	–	–	–	50
Mr. Yu Xiao Ping	50	–	–	–	–	–	50
Ms. Leng Yi Xin	50	–	–	–	–	–	50
Mr. Wang Jian Ping	50	–	–	–	–	–	50
Independent non-executive director							
Prof. Ouyang Ping Kai	60	–	–	–	–	–	60
Prof. Yang Sheng Li	60	–	–	–	–	–	60
Ms. Wei Xin	60	–	–	–	–	–	60
Ms. Au Fung Lan	60	–	–	–	–	–	60

Notes:

(i) Mr. Pan is also the chief executive officer of the Company for the period from 1 April 2014 to 31 December 2015.

(ii) Mr. Rui was also the chief executive officer of the Company for the period from 1 January 2014 to 31 March 2014.

(iii) None of the Directors waived any emoluments during the years ended 31 December 2015 and 2014.

(iv) No remuneration paid or receivables to the Directors of the Company in respect of accepting office as director or director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the financial year ended 31 December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2014: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEAR SUMMARY

	2011 Rmb'000	2012 Rmb'000	2013 Rmb'000	2014 Rmb'000	2015 Rmb'000
Consolidated results					
Revenue	620,233	653,218	703,032	561,669	514,779
Operating profit	54,462	69,060	88,561	45,067	50,320
Finance (costs)/income, net	(8,749)	(10,077)	(6,958)	(3,152)	687
Share of profit of an associate	739	342	–	–	–
Profit before income tax	46,452	59,325	81,603	41,915	51,007
Income tax expense	(4,749)	(9,757)	(11,275)	(4,497)	(5,861)
Profit for the year	41,703	49,568	70,328	37,418	45,146
Profit for the year attributable to:					
Equity holders of the Company	41,105	49,455	69,992	37,223	45,274
Non-controlling interest	598	113	336	195	(128)
Dividends	12,713	14,832	21,188	11,653	13,772
Consolidated assets and liabilities					
Total non-current assets	377,996	351,851	373,413	405,497	402,748
Total current assets	286,009	310,447	304,365	286,798	327,456
Total current liabilities	(235,958)	(197,690)	(157,750)	(156,138)	(160,633)
Net current assets	50,051	112,757	146,615	130,660	166,823
Total assets less current liabilities	428,047	464,608	520,028	536,157	569,571
Total non-current liabilities	(820)	(655)	(473)	(343)	(264)
Net assets	427,227	463,953	519,555	535,814	569,307
Earnings per share					
– basic and diluted	Rmb0.078	Rmb0.093	Rmb0.132	Rmb0.070	Rmb0.085

GLOSSARY

Board	Board of Directors of the Company
CG Code	Code provisions of 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
Chirotechnology Centre	the Jiangsu Biochemical Chirotechnology Research Centre
CIT	Corporate Income Tax
Concurrent Production Technology	The concurrent production technology for the production of fumaric acid and malic acid
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
HK Xinsheng Ltd	Hong Kong Xinsheng Pioneer Investment Company Limited
H Shares	H shares of the Company
Lianyungang Changmao	Changmao Biochemical Lianyungang Company Limited, a subsidiary of the Company
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange

GLOSSARY

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
PQQ	Pyrroloquinoline quinone
PRC	The People's Republic of China
Rmb	Renminbi
SFO	Securities and Futures Ordinance
Shanghai Changmao	Shanghai Changmao Biochemical Engineering Company Limited, a subsidiary of the Company
Shanghai Life Sci	Shanghai Medical Life Science Research Centre Limited
Shuguang Factory	Changzhou Shuguang Factory (常州曙光化工廠)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	Supervisor(s) of the Company
USD	United States Dollars