

THIRD QUARTERLY REPORT

2007



CMDEC



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: 8208)

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Changmao Biochemical Engineering Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purposes of giving information with regard to Changmao Biochemical Engineering Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Unaudited turnover of approximately Rmb302,184,000 for the nine months ended 30 September 2007
- Unaudited net profit of approximately Rmb23,867,000 for the nine months ended 30 September 2007
- The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2007

RESULTS

The board of Directors (the “Board”) of Changmao Biochemical Engineering Company Limited (the “Company” or “Changmao”) is pleased to present the unaudited results of the Company and its subsidiary (collectively referred to as the “Group”) for the three and the nine months ended 30 September 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

	Note	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2007 Rmb'000	2006 Rmb'000	2007 Rmb'000	2006 Rmb'000
Turnover	2	102,126	79,937	302,184	230,923
Cost of sales		(84,498)	(56,254)	(249,391)	(153,412)
Gross profit		17,628	23,683	52,793	77,511
Other operating income		410	543	1,244	1,773
Selling expenses		(1,971)	(1,672)	(5,053)	(5,227)
Administrative expenses		(4,451)	(5,214)	(15,100)	(13,580)
Operating profit		11,616	17,340	33,884	60,477
Finance costs		(2,716)	(1,587)	(6,976)	(3,354)
Share of profit of an associate		563	-	1,179	-
Profit before taxation		9,463	15,753	28,087	57,123
Taxation	3	(1,510)	1,658	(4,220)	(4,546)
Profit for the period attributable to the equity holders of the Company		7,953	17,411	23,867	52,577
Earnings per share for profit attributable to equity holders of the Company during the period – basic and diluted	4	Rmb0.012	Rmb0.025	Rmb0.035	Rmb0.077

Notes:

1 Basis of preparation and accounting policies

The unaudited results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of GEM Listing Rules. They have been prepared under historical cost convention.

2 Turnover

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

3 Taxation

PRC Enterprise Income Tax ("EIT") is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The Company, being located in the New Technology Industrial Development Experimental Zone in Changzhou and registered as a New and High Technology Enterprise, is not subject to any local income tax. Upon renewal of the 技術密集型知識密集 型企業證書 (The Certificate of Technology-intensive and Knowledge-intensive Enterprise) in November 2005, the Company is entitled to a preferential EIT rate of 15% up to the financial year ending 31 December 2007. The subsidiary of the Group in Mainland China does not have assessable profit during the period.

The amount of taxation charged to consolidated income statement represents:

	For the three months ended 30 September		For the nine months ended 30 September	
	2007 Rmb'000	2006 Rmb'000	2007 Rmb'000	2006 Rmb'000
Provision for EIT	1,283	2,363	3,993	8,567
Under-provision in respect of prior years	227	–	227	–
	1,510	2,363	4,220	8,567
Tax credit (note)	–	(4,021)	–	(4,021)
	1,510	(1,658)	4,220	4,546

Note: During the three months ended 30 September 2006, the Company obtained approval from the tax bureau in Mainland China whereby it is granted a tax credit of approximately Rmb4,021,000 in respect of purchase of certain equipments manufactured in Mainland China.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the Company, as explained above, as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2007 Rmb'000	2006 Rmb'000	2007 Rmb'000	2006 Rmb'000
Profit before taxation	9,463	15,753	28,087	57,123
Adjustment: Share of profit of an associate	(563)	–	(1,179)	–
	8,900	15,753	26,908	57,123
Calculated at the taxation rate of 15% (2006:15%)	1,335	2,362	4,036	8,568
Tax credit	–	(4,021)	–	(4,021)
Underprovision in respect prior years	227	–	227	–
Others	(52)	1	(43)	(1)
	1,510	(1,658)	4,220	4,546

As at 30 September 2007 and 2006, there was no significant unprovided deferred taxation.

4 Earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2007 is based on the profit attributable to equity holders of the Company of approximately Rmb7,953,000 (2006: Rmb17,411,000) and the 683,700,000 shares (2006: 683,700,000 shares) in issue during the period.

The calculation of basic earnings per share for the nine months ended 30 September 2007 is based on the profit attributable to equity holders of the Company of approximately Rmb23,867,000 (2006: Rmb52,577,000) and the 683,700,000 shares (2006: 683,700,000 shares) in issue during the period.

The Company has no dilutive potential shares in issue during the period.

5 Reserves

	Share premium <i>Rmb'000</i>	Statutory common reserve <i>Rmb'000</i>	Statutory public welfare fund <i>Rmb'000</i>	Retained earnings <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2006	87,159	9,526	4,763	104,182	205,630
Transfer from income statement	-	6,860	3,430	(10,290)	-
Profit for the period	-	-	-	52,577	52,577
Final dividend for the year ended 31 December 2005	-	-	-	(22,562)	(22,562)
At 30 September 2006	87,159	16,386	8,193	123,907	235,645

	Share premium <i>Rmb'000</i>	Statutory common reserve <i>Rmb'000</i>	Statutory public welfare fund <i>Rmb'000</i>	Retained earnings <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2007	87,159	16,386	8,193	138,688	250,426
Transfer from income statement	-	6,320	-	(6,320)	-
Transfer	-	8,193	(8,193)	-	-
Profit for the period	-	-	-	23,867	23,867
Final dividend for the year ended 31 December 2006	-	-	-	(15,041)	(15,041)
At 30 September 2007	87,159	30,899	-	141,194	259,252

REVIEW AND PROSPECT

I. FINANCIAL REVIEW

The Group recorded a turnover of approximately Rmb302,184,000 and profit attributable to the equity holders of the Company of approximately Rmb23,867,000 for the nine months ended 30 September 2007. The change in policy on refund of value added tax on export goods in the PRC was effective on 1 July 2007. This change causes an 8 percent decrease in refund rate on certain products of the Group. In addition to this factor, the increase in raw material prices and the appreciation of Rmb also caused the unsatisfactory results for the first three quarters of 2007 as compared to that for the corresponding period of last year. However, with the advantage of economy of scale and the stable production of the new production lines, the Group has great earning potentials. In the first three quarters of 2007, the Group's operation and production was stable with a satisfactory growth in sales. The business of the Group is developing towards a healthy direction.

II. BUSINESS REVIEW

The fast growth in food and beverage industry encourages the vigorous development of the food additive industry. In the first three quarters of 2007, the Group's production was stable. The new production lines gradually reached their full capacity. Sales were satisfactory with steady growth in turnover. In addition, there was a good progress on the collaboration with the international enterprise. Management level was enhanced. The Group believes that its business will develop in a healthy direction.

(1) Production

The Group has completed the trial run of the new L(+)-tartaric acid production line in the first three quarters. The production line is running smoothly. The Group has made improvements on this production line by using more automated equipments which benefited the Group economically and also improved the production environment. The adoption of the Good Manufacturing Practice (GMP) standards in the production and the obtaining of the Food and Drug Administration (FDA) certificates on L(+)-tartaric acid help the Group to further explore overseas market such as the United States. Sales of L(+)-tartaric grow steadily with the continuous increasing demand in the market.

The Group continues to use its sophisticated technology to produce L-malic acid. The Group has increased the production capacity of L-malic acid by building a GMP production line. This production line is now moving to a stable production phase. With the good response from the food additive and medicinal markets, L-malic acid is expected to make contribution to the growth in sales.

The production of DL-malic acid was stable. The production technology is environmental friendly. The advantage of this technology is that one production line can produce two kinds of products, fumaric acid and DL – malic acid with the output ratio adjustable according to the market demand. In addition, the new production line is more automated and controlled by the Digital Control System (DCS). It stabilises product quality and reduces production costs. The Group believes that this production will enable the Group to increase its competitiveness and create economic value to the Group.

(2) Sales

(i) Marketing

The Group has an excellent sales team. Although the Group faced various challenges including the new policy on value tax refund for export goods, the appreciation of Rmb and the increase in raw material costs, the turnover increased in the first three quarters of 2007. Since the Group has signed long term contracts with its north America and Australia distributors, the new policy on value tax refund for export goods affected the Group's results. The Group maintained its credibility by honouring its contracts on hand and further strengthen its customer relationship. The Group has also negotiated with its customers to share part of the cost risk. In addition, the sales team had put more effort on marketing of high value products and exploring markets with new application of the Group's products to keep up the growth momentum of the turnover.

(ii) Collaboration

The collaboration with an international enterprise on the new product, aspartame, has been under the quality assurance phase for a long time. Sales of aspartame increased in the first three quarters but this product has not yet made contribution to the Group's profit. To speed up the pace of marketing, the Group has enhance its communication with the international collaborator, the Group also adopts an active approach in marketing strategy to expand the sales network. The Group will speed up the quality assurance process and expand the sales network with an aim that aspartame will make contribution to the profit.

The collaboration with another international enterprise on medicinal intermediaries was well progressed. Through the efforts of both parties, certain products have attained customer satisfaction on their quality. Some products have been progressed to the quality assurance stage as planned. Both parties are satisfied with the progress of the project and are confident on the market and the future collaboration and expect that the project will bring economic benefits.

(3) Management

The Group adopts the ISO9001 standards and the Hazard Analysis Critical Control Point (HACPP) standards in its production. More DCSs are used in production to increase the level of automation. In addition, the increase in new GMP standard production lines and the more stringent safety measures enhanced the production environment and product quality, improved brand awareness, and strengthened customer confidence which helped to increase market shares.

The Group adopts flexible and prudent financial and risk management strategies to ensure that investment in new production lines and research on new products will bring return to the Group and further consolidate the Group's financial foundation. The Group is financially stable.

III. PROSPECT AND OUTLOOK

The economy of China has grown rapidly in 2007. There will be a lot of opportunities for the Group. With the advantage from economy of scale and having strong research and development and sales teams, the Group will continue its development according to the following directors:

1. Increase production scale and reduce production costs

The food additive industry in China has a good prospect. The Group's existing food additives products and new functional food additive products will satisfy the increasing customer demand in China. The Group will increase its production scale and reduce production costs by improving its production technologies. It is expected that the Group will gain more benefits from the economy of scales.

2. *Explore more business opportunities and expand the markets*
With its outstanding sales team and its strategy on collaboration with international enterprise, the Group will endeavor to expand its sales network and apply effective sales strategy, actively explore new markets of and new application for food additive products and strengthen customer services to increase sales orders from both existing and new customers. The Group will launch new functional food additives and medicinal intermediaries to extend its production chain and enter into new markets.
3. *Establish core advantage by developing innovative technology*
Innovation in technology is a way to improve competitiveness and a key element for continuing development. The Group therefore will make a lot of efforts on technology innovation, in addition to the Chirechnology Centre, the Group will acquire上海醫學生命科學研究中心有限公司 (Shanghai Medical Life Science Research Centre Limited) for research purpose, and to attract more high calibre researchers for developing new products and for the future development of the Group.

Base on the above directions, the Group will continue the production of food additives as its core business, develop new functional food additives to extend its production chain, made use of its competitive advantages in manufacturing and research, continue the collaboration with international enterprises, commercialise new products by making use of its well recognized brand name and international sales network to promote further growth of business and create best interest to the shareholders. The Group is confident in its future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2007.

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2007.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2007, the interests (including interests in shares and short positions) of the Directors, the supervisors of the Company (the "Supervisors") or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) which were required pursuant to section 352 of the SFO to be entered in the register referred to in that section; or (c) were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares:

Director	Capacity	Number of Domestic Shares	Percentage shareholding in the Domestic Shares	Number of Foreign Shares	Percentage shareholding in the Foreign Shares
Mr. Rui Xin Sheng	Interest of spouse, interest of controlled corporation, trustee (other than a bare trustee) and custodian (Note (a))	2,500,000	1.14%	135,000,000	48.04%
Ms. Leng Yi Xin	Interest of spouse and interest of controlled corporation (Note (b))	2,500,000	1.14%	135,000,000	48.04%
Mr. Jiang Jun Jie	(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	23.49%
Prof. Ouyang Ping Kai	(Note (f))	–	–	(Note (f))	(Note (f))
Prof. Yang Sheng Li	(Note (g))	–	–	(Note (g))	(Note (g))

Supervisor	Capacity	Number of Domestic Shares	Percentage shareholding in the Domestic Shares	Number of Foreign Shares	Percentage shareholding in the Foreign Shares
Ms. Zhou Rui Juan	(Note (h))	-	-	(Note (h))	(Note (h))
Mr. Pan Chun	(Note (i))	-	-	(Note (i))	(Note (i))
Mr. Lu He Xing	(Note (j))	-	-	(Note (j))	(Note (j))
Prof. Gu Jian Xin	(Note (k))	-	-	(Note (k))	(Note (k))
Prof. Jiang Yao Zhong	(Note (l))	-	-	(Note (l))	(Note (l))

Notes:

- (a) The 135,000,000 foreign shares of the Company ("Foreign Shares") are held by Hong Kong Xinsheng Pioneer Investment Company Limited ("HK Xinsheng Ltd") and the 2,500,000 domestic shares of the Company ("Domestic Shares") are held by 常州新生生化科技開發有限公司 ("Changzhou Xinsheng"). The issued share capital in HK Xinsheng Ltd comprises 170,000 Class "A" shares of HK\$1 each and 100,000 Class "B" shares of HK\$1 each. Mr. Rui is the registered holder and beneficial owner of 96,500 Class "A" shares. He is also the registered holder of 53,000 Class "B" shares and holds such shares as trustee in respect of a discretionary trust for the group of persons who made contribution to the Company or who from time to time make contribution to the Company. Mr. Rui is the registered holder and beneficial owner of 70% of the registered capital of Changzhou Xinsheng. Ms. Leng, a Director and the spouse of Mr. Rui, is also interested in HK Xinsheng Ltd and Changzhou Xinsheng, details of which are set out in Note (b) below.
- (b) Ms. Leng is the registered holder and beneficial owner of 73,500 Class "A" shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class "A" shares of HK\$1 each and 100,000 Class "B" shares of HK\$1 each. Ms. Leng is the registered holder and beneficial owner of 30% of the registered capital of Changzhou Xinsheng, which is the registered holder and beneficial owner of 2,500,000 Domestic Shares. Mr. Rui, a Director and the spouse of Ms. Leng, is also interested in HK Xinsheng Ltd and Changzhou Xinsheng, details of which are set out in Note (a) above.

- (c) Mr. Jiang is the registered holder and beneficial owner of 600,000 shares of HK\$0.01 each in Hong Kong Bio-chemical Advanced Technology Investment Company Limited (“HK Biochem Ltd”), which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each. Mr. Jiang is also the registered holder and beneficial owner of 15,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- (d) Mr. Zeng is the registered holder and beneficial owner of 380,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each. Mr. Zeng is also the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- (e) Mr. Yu and his wife (who is not a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares.
- (f) Prof. Ouyang is the registered holder and beneficial owner of 4,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- (g) Prof. Yang is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- (h) Ms. Zhou is the registered holder and beneficial owner of 220,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each.

- (i) Mr. Pan is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each. He is also the registered holder and beneficial owner of 200,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each.
- (j) Mr. Lu is the registered holder and beneficial owner of 220,000 shares of HK\$0.01 each in HK Biochem Ltd, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Biochem Ltd is 6,750,000 shares of HK\$0.01 each.
- (k) Prof. Gu Jian Xin is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.
- (l) Prof. Jiang is the registered holder and beneficial owner of 2,000 Class “B” shares of HK\$1 each in HK Xinsheng Ltd, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng Ltd comprises 170,000 Class “A” shares of HK\$1 each and 100,000 Class “B” shares of HK\$1 each.

Save as disclosed above, as at 30 September 2007, none of the Directors, Supervisors or chief executives of the Company have interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (including interests in shares and short positions) which were required to notify the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) which were required pursuant to section 352 of the SFO to be entered in the register referred to in that section; or (c) were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

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

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

So far as known to the Directors, as at 30 September 2007, the following, not being a Director, Supervisor or chief executives of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

Long positions in shares:

Name of Shareholder	Capacity	Number of Domestic Shares	Percentage shareholding in the Domestic Shares	Number of Foreign Shares	Percentage shareholding in the Foreign Shares	Number of H Shares	Percentage shareholding in the H Shares
常州曙光化工廠 (Changzhou Shuguang Chemical Factory)	Beneficial owner	154,000,000	70.32%	-	-	-	-
Hong Kong Xinsheng Pioneer Investment Company Limited	Beneficial owner	-	-	135,000,000	48.04%	-	-
Hong Kong Bio-chemical Advanced Technology Investment Company Limited	Beneficial owner	-	-	67,500,000	24.02%	-	-
Union Top Development Limited	Interest of controlled corporation	-	-	67,500,000 (Note (a))	24.02%	-	-

Name of Shareholder	Capacity	Percentage shareholding in the Domestic Shares		Percentage shareholding in the Foreign Shares		Number of H Shares	Percentage shareholding in the H Shares
		Number of Domestic Shares	Domestic Shares	Number of Foreign Shares	Foreign Shares		
Ms. Rakchanok Sae-lao	Interest of controlled corporation	-	-	67,500,000 (Note (b))	24.02%	-	-
Jomo Limited	Beneficial owner	-	-	66,000,000	23.49%	-	-
Ms. Lam Mau	Interest of spouse and interest of controlled corporation	-	-	66,000,000 (Note (c))	23.49%	-	-
上海科技投資股份有限公司 (Shanghai Technology Investment Company Limited)	Beneficial owner	62,500,000	28.54%	-	-	-	-
上海科技投資公司 (Shanghai Technology Investment Company)	Interest of controlled corporation	62,500,000 (Note (d))	28.54%	-	-	-	-
Chervon Investment Limited	Beneficial owner	-	-	-	-	10,968,000	5.97%
Chervon Holdings Limited	Interest of controlled corporation	-	-	-	-	10,968,000 (Note (e))	5.97%
PS Holdings Limited	Interest of controlled corporation	-	-	-	-	10,968,000 (Note (f))	5.97%

Notes:

- (a) Union Top Development Limited is the beneficial owner of 37.03% of the issued share capital of Hong Kong Bio-chemical Advanced Technology Investment Company Limited, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares.
- (b) Ms. Rakchanok Sae-lao is the beneficial owner of 100% of the issued share capital of Union Top Development Limited, which is the is the beneficial owner of 37.03% of the issued share capital of Hong Kong Bio-chemical Advanced Technology Investment Company Limited. Hong Kong Bio-chemical Advanced Technology Investment Company Limited is the registered holder and beneficial owner of 67,500,000 Foreign Shares.
- (c) Ms. Lam Mau and her spouse, Mr. Yu Xiao Ping (who is a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares.
- (d) Shanghai Technology Investment Company is the beneficial owner of 49% of the issued share capital of Shanghai Technology Investment Company Limited, which is the registered holder and beneficial owner of 62,500,000 Domestic Shares.
- (e) Chervon Holdings Limited is the beneficial owner of 85% of the issued share capital of Chervon Investment Limited, which is the beneficial owner of 10,968,000 H Shares.
- (f) PS Holdings Limited is the beneficial owner of 57.44% of the issued share capital of Chervon Holdings Limited, which is the beneficial owner of 85% of the issued share capital of Chervon Investment Limited. Chervon Investments Limited is the beneficial owner of 10,968,000 H Shares.

Save as disclosed above, as at 30 September 2007, the Directors are not aware of any person, not being a Director, Supervisor or chief executives of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

COMPETING BUSINESS

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

SHARE CAPITAL STRUCTURE

As at 30 September 2007, the category of the issued shares of the Company is as follows:

	No. of Shares
H Shares (<i>Note (a)</i>)	183,700,000
Domestic Shares (<i>Note (b)</i>)	219,000,000
Foreign Shares (<i>Note (c)</i>)	281,000,000
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	683,700,000
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Notes:

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

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

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

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

COMPLIANCE WITH THE BOARD PRACTICES AND PROCEDURES OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules at any time during the nine months ended 30 September 2007.

AUDIT COMMITTEE

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

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Company and discussed financial reporting matters including a review of the unaudited third quarterly results for the nine months ended 30 September 2007 with the Directors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 6 November 2007

As at the date hereof, Mr. Rui Xin Sheng (Chairman) is the executive director of the Company, Mr. Jiang Jun Jie, Mr. Zeng Xian Biao, Mr. Yu Xiao Ping, Mr. Wang Jian Ping and Ms. Leng Yi Xin are the non-executive directors of the Company, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Ms. Wei Xin are the independent non-executive directors of the Company.