

Stock Code: 8208

Interim Report 2009



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)

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This 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 Rmb191,538,000 for the six months ended 30 June 2009
- Unaudited net profit of approximately Rmb20,732,000 for the six months ended 30 June 2009
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009

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 subsidiaries (collectively referred to as the “Group”) for the three and the six months ended 30 June 2009 together with the unaudited comparative figures for corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009 – Unaudited

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2009 Rmb'000	2008 Rmb'000	2009 Rmb'000	2008 Rmb'000
Turnover	2	113,517	132,249	191,538	240,682
Cost of sales		(88,816)	(100,541)	(145,517)	(186,850)
Gross profit		24,701	31,708	46,021	53,832
Other income		304	507	1,152	854
Other losses, net		(192)	(1,261)	(612)	(2,726)
Selling expenses		(1,795)	(1,555)	(3,572)	(3,618)
Administrative expenses		(7,772)	(9,917)	(15,745)	(16,989)
Operating profit	3	15,246	19,482	27,244	31,353
Finance costs, net	4	(1,636)	(2,924)	(3,572)	(5,857)
Share of profit of an associate		656	576	1,050	607
Profit before income tax		14,266	17,134	24,722	26,103
Income tax expense	5	(2,699)	(2,959)	(4,166)	(4,594)
Profit and total comprehensive income for the period		11,567	14,175	20,556	21,509
Attributable to:					
Equity holders of the Company		11,680	14,263	20,732	21,678
Minority interest		(113)	(88)	(176)	(169)
		11,567	14,175	20,556	21,509
Earnings per share for profit attributable to equity holders of the Company – basic and diluted	6	Rmb0.017	Rmb0.021	Rmb0.030	Rmb0.032

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009 – Unaudited

		30 June 2009 <i>Rmb'000</i>	December 31 2008 <i>Rmb'000</i>
	Note		
ASSETS			
Non-current assets			
Patents	7	9,465	9,450
Property, plant and equipment	8	240,774	232,348
Land use rights	8	23,742	24,005
Construction in progress	8	41,742	59,479
Investment in an associate		10,232	9,182
Deferred income tax assets		567	532
		326,522	334,996
Current assets			
Inventories		99,080	130,373
Trade and bills receivables	9	49,074	33,134
Other receivables and prepayments		13,309	8,259
Pledged bank balances		1,600	4,258
Cash and cash equivalents		75,780	63,137
		238,843	239,161
Total assets		565,365	574,157

	Note	30 June 2009 Rmb'000	December 31 2008 Rmb'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	68,370	68,370
Reserves	11	326,438	315,962
		394,808	384,332
Minority interest in equity		569	745
Total equity		395,377	385,077
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		900	833
Current liabilities			
Amount due to a shareholder		1,303	1,312
Trade and bills payables	12	19,629	24,040
Other payables and accrued charges		25,013	16,131
Dividend payable		10,256	–
Derivative financial instruments		50	867
Taxation payable		1,337	1,397
Bank borrowings	13	111,500	144,500
		169,088	188,247
Total liabilities		169,988	189,080
Total equity and liabilities		565,365	574,157
Net current assets		69,755	50,914
Total assets less current liabilities		396,277	385,910

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 – Unaudited

	Attributable to equity holders of the Company				Minority Interest	Total
	Share capital	Other reserves	Retained earnings	Total		
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Balance at 1 January 2008	68,370	118,058	151,975	338,403	1,040	339,443
Transfer of profit to statutory reserve	-	3,421	(3,421)	-	-	-
Profit for the period	-	-	21,678	21,678	(169)	21,509
Balance at 30 June 2008	68,370	121,479	170,232	360,081	871	360,952
Balance at 1 January 2009	68,370	125,888	190,074	384,332	745	385,077
Profit for the period	-	-	20,732	20,732	(176)	20,556
Final dividend for the year ended 31 December 2008	-	-	(10,256)	(10,256)	-	(10,256)
Balance at 30 June 2009	68,370	125,888	200,550	394,808	569	395,377

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009 – Unaudited

	For the six months ended 30 June	
	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Net cash generated from operating activities	45,914	33,337
Net cash used in investing activities	(271)	(12,688)
Net cash used in financing activities	(33,000)	(10,000)
Net increase in cash and cash equivalents	12,643	10,649
Cash and cash equivalents at 1 January	63,137	51,716
Cash and cash equivalents at 30 June	75,780	62,365

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial information has been prepared in accordance with applicable disclosure provisions of GEM Listing Rules, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed financial information should be read in conjunction with the 2008 annual financial statements of the Group.

Except as described below, the accounting policies and methods of computation used in the preparation of these condensed financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (Revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income).

The Group has elected to present a single statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this new HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'
- HKFRS 2 (amendment), 'Share-based payment'
- HKAS 32 (amendment), 'Financial instruments: presentation'
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'
- HK(IFRIC) 13, 'Customer loyalty programmes'
- HK(IFRIC) 15, 'Agreements for the construction of real estate'
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'

2. TURNOVER AND SEGMENT INFORMATION

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

An analysis of the Group's turnover for the period by geographical segment is as follows:

	For the six months ended 30 June	
	2009	2008
	<i>Rmb'000</i>	<i>Rmb'000</i>
Mainland China	74,835	83,245
Europe	47,348	57,781
Asia Pacific	45,476	69,131
America	18,192	26,360
Others	5,687	4,165
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	191,538	240,682
	<hr/> <hr/>	<hr/> <hr/>

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

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

No analysis of the segment information by business segment has been presented as the Group has been engaged in the production and sale of organic acids only. Substantially all of its assets, liabilities and capital expenditure for the period were located or utilised in Mainland China.

3. OPERATING PROFIT

Operating profit is stated after charging the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Amortisation of patents	230	230	485	460
Amortisation of land use rights	131	131	263	263
Depreciation	6,240	5,657	12,454	11,073

4. FINANCE COSTS, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Interest on bank loans – wholly repayable within five years	1,744	3,010	3,724	6,004
Interest income on bank deposits	(108)	(86)	(152)	(147)
Net finance costs	1,636	2,924	3,572	5,857

5. TAXATION

PRC Company Income Tax ("CIT") is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The CIT rate for the first three quarters of 2008 of the Company was 18%. Upon obtaining the New and High Technology Enterprise certificate in the fourth quarter of 2008, the Company is entitled to a preferential CIT rate of 15% with retrospective effect from 1 January 2008. The other subsidiaries of the Group in Mainland China are subject to a tax rate of 25%.

The amount of taxation charged to consolidated income statement represents

	For the three months ended 30 June		For the six months ended 30 June	
	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Current income tax –				
Provision for EIT	2,114	3,029	3,568	4,700
Under/(over)-provision in prior year	566	(83)	566	(132)
Deferred income tax	19	13	32	26
	2,699	2,959	4,166	4,594

The taxation on the Group's profit before income tax 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 June		For the six months ended 30 June	
	2009 Rmb'000	2008 Rmb'000	2009 Rmb'000	2008 Rmb'000
Profit before income tax	14,266	17,134	24,722	26,103
Adjustment: Share of profit of an associate	(656)	(576)	(1,050)	(607)
	13,610	16,558	23,672	25,496
Calculated at the tax rates applicable to results of the respective consolidated entities	1,979	2,960	3,442	4,546
Income not subject to tax	(22)	(41)	(147)	(58)
Tax losses for which no deferred income tax asset was recognised	176	123	305	238
Under/(over) provision in prior year	566	(83)	566	(132)
Taxation	2,699	2,959	4,166	4,594

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2009 is based on the profit attributable to equity holders of the Company of approximately Rmb11,680,000 (for the three months ended 30 June 2008: Rmb14,263,000) and the 683,700,000 shares (for the three months ended 30 June 2008: 683,700,000 shares) in issue during the period.

The calculation of earnings per share for the six months ended 30 June 2009 is based on the profit attributable to equity holders of the Company of approximately Rmb20,732,000 (for the six months ended 30 June 2008: Rmb21,678,000) and the 683,700,000 shares (for the six months ended 30 June 2008: 683,700,000 shares) in issue during the period.

No diluted earnings per share is presented as the Company has no dilutive potential shares in issue during the period.

7. PATENTS

	<i>Rmb'000</i>
Net book value as at 1 January 2009	9,450
Addition	500
Amortisation	(485)
	<hr/>
Net book value as at 30 June 2009	<u>9,465</u>

8. CAPITAL EXPENDITURE

	Property, plant and equipment	Land use rights	Construction in progress
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Net book value as at 1 January 2009	232,348	24,005	59,479
Transfer from construction in progress to property, plant and equipment	20,763	–	(20,763)
Additions	117	–	3,026
Depreciation/amortisation charge	(12,454)	(263)	–
	<hr/>	<hr/>	<hr/>
Net book value as at 30 June 2009	<u>240,774</u>	<u>23,742</u>	<u>41,742</u>

9. TRADE AND BILLS RECEIVABLES

	30 June 2009 <i>Rmb'000</i>	31 December 2008 <i>Rmb'000</i>
Trade receivables (<i>note (a)</i>)	46,420	33,134
Bills receivables (<i>note (b)</i>)	2,654	–
	<hr/> 49,074	<hr/> 33,134
	<hr/> <hr/>	<hr/> <hr/>

- (a) The credit terms of trade receivables range from 30 days to 90 days and the aging analysis of the trade receivables is as follows:

	30 June 2009 <i>Rmb'000</i>	31 December 2008 <i>Rmb'000</i>
0 to 3 months	45,430	31,883
4 to 6 months	989	629
Over 6 months	260	881
	<hr/> 46,679	<hr/> 33,393
Provision for impairment of trade receivables	(259)	(259)
	<hr/> 46,420	<hr/> 33,134
	<hr/> <hr/>	<hr/> <hr/>

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

10. SHARE CAPITAL

Registered, issued and fully paid

	Share capital	
	Number of shares at Rmb0.10 each	Nominal value <i>Rmb'000</i>
At 30 June 2009 and 31 December 2008	683,700,000	68,370

As at 30 June 2009 and 31 December 2008, the share capital of the Company composed of 219 million domestic shares, 281 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 for by, and trade in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC.

11. RESERVES

	Share premium <i>Rmb'000</i>	Statutory common reserve <i>Rmb'000</i>	Retained earnings <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2009	87,159	38,729	190,074	315,962
Profit for the period	–	–	20,732	20,732
Final dividend for the year ended 31 December 2008	–	–	(10,256)	(10,256)
At 30 June 2009	87,159	38,729	200,550	326,438

	Share premium	Statutory common reserve	Retained earnings	Total
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
At 1 January 2008	87,159	30,899	151,975	270,033
Transfer of profit to statutory reserve	–	7,830	(7,830)	–
Profit for the year	–	–	45,929	45,929
At 31 December 2008	87,159	38,729	190,074	315,962

12. TRADE AND BILLS PAYABLES

	30 June 2009	31 December 2008
	<i>Rmb'000</i>	<i>Rmb'000</i>
Trade payables (Note (a))	18,679	18,814
Bills payable (Note (b))	950	5,226
	19,629	24,040

(a) The ageing analysis of trade payables is as follows:

	30 June 2009	31 December 2008
	<i>Rmb'000</i>	<i>Rmb'000</i>
0 to 6 months	18,617	18,594
7 to 12 months	34	195
Over 12 months	28	25
	18,679	18,814

(b) The maturity dates of bills payable are normally within 6 months.

13. BANK BORROWINGS

Bank borrowings are analysed as follows:

	30 June 2009 Rmb'000	31 December 2008 Rmb'000
Unsecured, short-term bank borrowings	111,500	144,500

All bank borrowings were repayable within one year.

All the Group's borrowings are denominated in Renminbi. The carrying amounts of these bank borrowings approximate their fair values.

As at 30 June 2009, the effective interest rates of the bank borrowings were as follows:

	30 June 2009	31 December 2008
Short-term bank borrowings, at fixed rate	5.23%	6.5%
Short-term bank borrowings, at floating rate	7.47%	5.5%

14. CONTINGENT LIABILITIES

As at 30 June 2009 and 31 December 2008, the Group did not have any material contingent liabilities.

15. COMMITMENTS

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

	30 June 2009 <i>Rmb'000</i>	31 December 2008 <i>Rmb'000</i>
Contracted but not provided for	–	–
Authorised but not contracted for	–	–
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>

- (b) **Commitments under operating leases**

The Group leases various offices and warehouses under non-cancellable operating leases. At 30 June 2009, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	30 June 2009 <i>Rmb'000</i>	31 December 2008 <i>Rmb'000</i>
Not later than one year	323	144
Later than one year and not later than five years	359	–
	<hr/>	<hr/>
	682	144
	<hr/> <hr/>	<hr/> <hr/>

16. RELATED PARTY TRANSACTIONS

The Group entered into the following significant transactions in the ordinary course of business with a shareholder, Shuguang Factory during the six months ended 30 June 2009:

	For the six months ended 30 June	
	2009 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Purchases of raw materials from Shuguang Factory	3	123
Transportation expenses charged by Shuguang Factory	194	211
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REVIEW AND PROSPECT

Business Review

In the first half of 2009, the production, sales, research and development as well as the international collaboration projects were progressed as planned. The business of the Group developed in a healthy direction.

Affected by the global financial crisis, the Group faced some difficulties on its sales to Europe and US markets which leads to the decline in turnover. The Group recorded a turnover of Rmb191,538,000 for the six months ended 30 June 2009, representing a decrease of 20% as compared to that of the corresponding period in last year. The Group focused on increasing the efficiency of the production lines, increasing the production volume and reducing the wastage rate. It has optimised its production technology to effectively control its costs and to increase the gross margin of its products. The Group recorded a net profit of Rmb20,732,000 for the six months ended 30 June 2009.

In the first half of 2009, every part of the world was affected by the financial crises. The total demand and the level of consumption were reduced. The demand in the United States market was also reduced. The market in European Union was affected by the financial crises and the high foreign exchange level which led to the decline in the market demand. Due to the reduced demand in these areas, the Group's export orders were reduced as compared to that in last year. Product price was also reduced which affected the Group's sales. Facing the financial crises and low market sentiment, the Group has actively explored its market channels, participated in domestic and overseas trade fairs and enhanced its relationship with existing customers and explore new customers. The Group has also enhanced its customer services and brand awareness to stabilise its export sales and achieve its sales target.

At the same time, the Chinese Government has adjusted its policy on value tax refund on exports to stabilise people's confidence on exports. The Group was benefited from this policy. The tax refund rate of the Group's major products increased from 5% to 9%, some even up to 13%. These measures released some pressure on operation of the Group. Raw material price was at a low level which reduced the production costs and released the impact of increased raw material price and high inventory costs in 2008 and caused the increase in gross margin. Amid the difficulty brought by the financial crises, the management and all the staff are still confident on the Group's future development and will turn the pressure to motive and seek for new ways for development. On one hand, the Group will continue to increase the efficiency of the production lines, increase the production volume and reduce the wastage rate, make use of its advantage on economy of scale. It will also optimise its production technology to reduce raw material consumption and effectively control its costs and increase its profit margin; on the other hand the Group will actively grasp its opportunities in the market, analysis the market trend and explore new sales channel and create business opportunities. Although the export situation is critical in the first half of 2009 which caused the decline in the Group's turnover, the Group still made a net profit of Rmb20,732,000.

Future and Prospect

Half of the 2009 has been passed, the economy growth in China was better than expected. The increase in demand in the food industry in China will promote the demand in food additives. The financial crises is a challenge as well as an opportunity to the Group. The Group will insist in its development direction, focusing on production safety, sales and marketing and energy reduction and environmental protection and grasp business opportunities. The group will continues its development according to the following directions.

A *Product upgrading through product structure adjustment*

Innovation in technology is a key element to improve competitiveness and for continuing development. The Group therefore will make a lot of effort in technology innovation. It will consolidate its existing research resources and manpower to create a reasonable product structure by way of launching competitive new product group in an organized way through technological advancement. Through the Group's chirotechnology research centre and the Shanghai Medical Life Science Research Centre to enhance its research ability with an aim to actively develop new products and extend its production chain. The Group will make use of the production platform of its associate, Changzhou Lanling Pharmaceutical Production Company Limited to enter into biomedical domain, an area with huge growth potential, step by step, thus inject vitality into the Group's product structure and increase its profitability. Meanwhile, with formal launch of the Group's nutraceutical business, Shanghai Changmao, as a main force to develop the nutraceutical market, will break the traditional sales and marketing modes in the market and zealously identify new profit margins so as to promote rapid growth of the business.

1. To develop from low value-added products to high value-added ones and natural food additives

Benefiting from steady and sustained growth of the food industry, the food additive industry is also in the process of steady and rapid development, leading to an increasingly prominent position boasted by food additives. Safe and poison-free natural food additives are becoming increasingly favoured by consumers who are more health conscious with higher living standard. With its innovation on technology, the Group will strive to develop the "natural four-carbon series edible organic acid" to cope with people's increasing admiration on natural, nutrition, health and environmental protection. This project uses natural and reproducible resources to replace the non-reproducible petrochemical resources. It is safe and environmental friendly and will become a new growth area of the Group. The Group will focus on the developing high value-added natural four-carbon series food additives, with an aim to gain a leading position in the domain, which is full of vigor and vitality and bring economic contribution to the Group.

2. To make use of research ability to actively launch new products and continuously extend production chain

Through the Group's chirotechnology research centre and the Shanghai Medical Life Science Research Centre to enhance its research ability with an aim to consolidate its existing research resources and manpower. The Group will adhere to innovation in technology to extend its production chain and continuously develop new products with good prospect and profitability. Through faster pace of launching new products, the Group will drive its business to a newer and broader horizon and embark on a new journey of profit making.

3. By developing new nutraceutical business, Shanghai Changmao will market its products to end-users

Currently, countries around the world are actively seeking proper plans that can improve living environment, sustain growth and even promote health. As a result of which, nutraceutical is in great demand in many places. It can therefore be expected that the room of growth for functional food additives and nutraceutical is enormous. In line with the trend toward nutritious and multi-functional food, the Group will do its utmost to speed up new product development. As a main force to develop the nutraceutical market, Shanghai Changmao will open up the market through innovative sales and marketing modes, marketing products to end-users and developing a brand new domain in human health market.

B. Establishment of sales channel and expansion of sales network

The Group has an outstanding sales team. Under the exceptional world economic situation, the Group will continuously upgrade all-round quality of its sales personnel and enhance the overall standard of the sales team. With its outstanding sales team and its strategy on collaboration with international enterprise, the Group will endeavour to expand its sales network and apply effective sales strategy and actively explore new markets and new application for food additives products and strengthen customer service. In addition, the Group will actively bring in new mode of sales and try to explore new customers through electronic commercial platform with an aim to enlarge sales network and increase sales.

C. Upgrading of personnel quality and enhancement of corporate management standard

The pace of corporate development is determined by personnel quality under the exceptional economic environment. The Group will reinforce professional skill training to enhance personnel quality. It will also optimize personnel structure to strengthen team building. The Group will enhance its management level through new management style to cope with the new requirement in the market and coordinate the Group's development.

D. Product branding and establishment of brand reputation

Quality builds a brand name, which in turn win the market. Under the precondition of carrying forward proprietary innovation, the Group will emphasize product quality and brand name to continuously enhance product reputation, recognition and goodwill with an aim to zealously build brand effect, promote corporate culture, explore product market and drive corporate development unto a new level.

Base on the above directions, the Group will continue the production of food additives as its core business and will increase the competitiveness of its existing products by exploring new markets and new application area. At the same time, the Group will capitalize on its production and research strength to develop new functional food additives, natural food additives, medicinal intermediaries and nutraceutical products based on the existing technologies. The Group will continue to extend its production chain and create new growth area and pursue best interests for its shareholders. The Group is confidence in its future.

SEGMENTAL INFORMATION

Most of the Group's products are exported to Western Europe, Australia, the United States and Japan. In terms of percentage, export sales (including sales through import-export agents in the PRC) accounted for approximately 67% (for the six months ended 30 June 2008: 69%) of the Group's turnover while domestic sales in the PRC accounted for approximately 33% (for the six months ended 30 June 2008: 31%) of turnover.

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 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 various currency exposures, primarily with respect to United States Dollars ("USD") and EURO. Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposure should the need arises. During the period, the Group used forward contracts to hedge certain of its foreign currency exposure in USD and EURO.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had total outstanding bank borrowings of Rmb111.5 million (as at 31 December 2008: Rmb144.5 million), all of which were repayable within one year. The interest rate of the outstanding bank loans is approximately 5.8% per annum (31 December 2008: 6.0%).

Except for the bank borrowings disclosed above, as at 30 June 2009 and 31 December 2008, the Group did not have any committed borrowing facilities.

The Group did not have any charge on its assets during the six months ended 30 June 2009. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 30.1% and 32.9% as at 30 June 2009 and 31 December 2008 respectively. As at 30 June 2009, the Group's cash and cash equivalent amounted to Rmb75,780,000 (31 December 2008: Rmb63,137,000). The Directors believe that the Group is in a healthy financial position.

CAPITAL STRUCTURE OF THE COMPANY

The H shares of the Company were listed on the GEM on 28 June 2002. There has been no change in the capital structure of the Company since that date.

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.

EMPLOYEES

Including the Directors, as at 30 June 2009, the Group employed a total of 490 employees (30 June 2008: 479 employees). Total amount of staff costs for the six months ended 30 June 2009 was approximately Rmb15,486,000 (for the six months ended 30 June 2008: Rmb14,095,000). The increase in staff cost was mainly due to the increase in number of employees and salary increment. Employees are remunerated in accordance with the nature of the job and also on individual merit. The Company also formulated a staff incentive scheme under which for the year ending 31 December 2010, so long as the audited profits (or, where applicable, combined or consolidated profits) attributable to the shareholders (after taxation and minority interest (if any) but before extraordinary and exceptional items and payment of the bonuses referred to below) amount to not less than Rmb40 million (the "Target Profit"):

- (a) a sum equivalent 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 equivalent to 5% of the amount in excess of the Target Profit will be payable to the assistant 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 equivalent 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.

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 its listed securities for the six months ended 30 June 2009.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

SIGNIFICANT INVESTMENTS

There is no significant investments held by the Group as at 30 June 2009 and 31 December 2008.

The Group has no plans for material investments or capital assets.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE PERIOD

There is no acquisitions and disposals of subsidiaries and affiliated companies by the Group during the six months ended 30 June 2009.

CONTINGENT LIABILITIES

As at 30 June 2009 and 31 December 2008, the Group did not have any material contingent liabilities.

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

As at 30 June 2009, the interests (including interests in shares and short positions) of the Directors, the supervisors of the Company (“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:

	Capacity	Number of Domestic Shares	Percentage shareholding in the Domestic Shares	Number of Foreign Shares	Percentage shareholding in the Foreign Shares
<i>Director</i>					
Mr. Rui Xin Sheng	Interest of spouse, interest of controlled corporation, trustee (other than a bare trustee) and custodian (Note (a))	2,500,000	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))

	Capacity	Number of Domestic Shares	Percentage shareholding in the Domestic Shares	Number of Foreign Shares	Percentage shareholding in the Foreign Shares
<i>Supervisor</i>					
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 promoter foreign shares of the Company ("Foreign Shares") are held by Hong Kong Xinsheng Pioneer Investment Company Limited ("HK Xinsheng Ltd") and the 2,500,000 domestic shares of the Company ("Domestic Shares") are held by 常州新生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 June 2009, 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 subsidiaries a party to any arrangement (including share option scheme) to enable the Directors or Supervisors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

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

So far as known to the Directors, as at 30 June 2009, 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	Number of Foreign Shares	Percentage shareholding
			in the Domestic Shares		in the Foreign Shares
常州曙光化工厂 (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%
Ms. Rakchanok Sae-lao	Interest of controlled corporation	-	-	67,500,000 (Note (b))	24.02%

Name of Shareholder	Capacity	Percentage shareholding		Percentage shareholding	
		Number of Domestic Shares	in the Domestic Shares	Number of Foreign Shares	in the Foreign Shares
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%	-	-

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 62.3% 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.

Save as disclosed above, as at 30 June 2009, 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 June 2009, the category of the issued shares of the Company is as follows:

	<i>No. of Shares</i>
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
	<hr/>
	683,700,000
	<hr/> <hr/>

Notes:

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

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

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

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

COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

Mr. Rui Xin Sheng is the Chairman of the Board and the General Manager of the Company. Save that, the Company has complied with the code provisions of the Code on Corporate Governance Practice as set out by the Stock Exchange in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2009, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

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 Ms. 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 Group, to review the Group's financial information and to review the audit plan, audit findings and independence of the Auditor of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters of the Group including a review of the unaudited interim results for the six months ended 30 June 2009 with the Directors.

By order of the Board

Rui Xin Sheng

Chairman

The PRC, 10 August 2009

As at the date hereof, Mr. Rui Xin Sheng (Chairman) is the executive Director, 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, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li and Ms. Wei Xin are the independent non-executive Directors.