

**CHANGMAO BIOCHEMICAL ENGINEERING COMPANY LTD :  
AN EXCEPTION TO THE RULE OF PRC-CONTROLLED COMPANIES**

Many companies, if not most, domiciled in the People's Republic of China (PRC) – excluding the Hongkong Special Administrative Region (HKSAR) of the PRC – which list on The Stock Exchange of Hongkong Ltd, do not make much sense when their books and accounts are scanned and analysed, carefully.

In fact, if the PRC, proper, companies were not '*organs*' of the PRC State, one way or another, TARGET wonders whether or not The Listing Committee of The Stock Exchange of Hongkong Ltd would accept them as candidates.

Questions may, also, be asked as to whether or not the HKSAR Authorities, from time to time, turn a blind eye on some of the activities of some of the PRC-domiciled companies, listed on The Stock Exchange of Hongkong Ltd, in the same way that Admiral Horatio Nelson is said to have put his telescope to his blind eye, during The Battle of Copenhagen in 1801, in order to make the indisputable claim that he saw no signal to retreat from his Commander-in-Chief, Sir Hyde Parker.

The Government of the HKSAR, of course, is controlled by the PRC State, directly or obliquely, with Beijing, pulling the strings on its HKSAR '*puppet*', Mr Tung Chee Hwa.

That being clearly understood, it is unlikely that a '*chosen*' PRC company, perceived by Beijing to be in need of some cash, would not be accepted as a gilt-edged investment company, applying for a listing on the second-largest stock market in Asia.

However, there are exceptions with regard to some of the PRC companies that, of late, have been listed in the HKSAR.

One of the late June listings of The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd appears to be one of the exceptions to the general rule.

The company is Changmao Biochemical Engineering Company Ltd, now known by its GEM Stock Code, Number 8208.

Changmao Biochemical is engaged in the manufacture and sales '*of organic acids ... commonly used as nutritional food additive for the manufacture of functional food, beverage and as pharmaceutical intermediates. These organic acids are natural and of high purity and specific health care applications and/or nutritional value and therefore they are better food additives in term of taste and are more healthy ...*'. (Page 69 of the Placing Prospectus)

This Company Placed 167 million, 0.10 renminbi shares at a price of 55 cents (Hongkong) per Share.

It raised a total of \$HK70 million, net of expenses, that money, being earmarked for the following purposes:

1. \$HK33 million for the establishment of new production lines;
2. \$HK8 million for the development of existing and new products;
3. \$HK10 million for upgrading research equipment;

4. \$HK5 million for research and development;
5. \$HK5 million for promotional activities;
6. \$HK5 million for recruitment activities; and,
7. \$HK4 million to be tipped into the General Working Capital.

### **The History**

The Company was founded in December 1992 by Shuguang Factory, through the establishment of Changzhou Changmao Biochemical Engineering Company Ltd, a Sino-foreign, equity joint-venture enterprise in which Shuguang Factory had a 70-percent stake, SJJ. M. Trading Company, of the HKSAR, had a 25-percent interest, and 5 percent was held by Changzhou Zhonglian Trading Corporation.

SJJ. M. Trading Company had, at that time, as its Sole Proprietor, Ms Lam Mau, while Changzhou Zhonglian is a PRC, State-owned entity.

Shuguang Factory is a chemical-producing facility, manufacturing chemical products.

Ms Lam Mau is the wife of Mr Yu Xiao Ping, a Non-Executive Director of Changmao Biochemical, who has an address in Kowloon, the HKSAR, but who describes himself as being a Chinese national.

By August 1993, about 8 months after its founding, Changmao Biochemical was producing L-malic acid, a chiral organic acid that naturally exists in vegetables and fruits.

It is commonly used as a food additive to control the acidity levels of wine, lactobacillus drinks, fruit and vegetable juices, soda water and other soft drinks.

After the production of L-malic acid, there followed a series of other products, culminating in this Company, producing 6 kinds of acids, 5 acids, used in food and ... [CLICK TO ORDER FULL ARTICLE](#)

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