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常茂生物化學工程股份有限公司

Changmao Biochemical Engineering Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 954)

POSITIVE PROFIT ALERT

This announcement is made by Changmao Biochemical Engineering Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the profit alert of the Company dated 5 August 2022 (the “**Interim Profit Alert Announcement**”) and the annual results announcement of the Company for the year ended 31 December 2021 (“**FY2021**”) dated 25 March 2022 (the “**2021 Results Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Interim Profit Alert Announcement and the 2021 Results Announcement.

The Group recorded a consolidated net profit attributable to the equity holders of the Company of approximately RMB58.3 million for FY2021. As disclosed in the 2021 Results Announcement, the Group recognized a gain of approximately RMB126.5 million (the “**Demolition Gain**”) as a result of the compensation received from the government for the demolition of certain production lines in its Changzhou production plant. The demolition has been substantially completed in FY2021 and there was no such gain recognized for the year ended 31 December 2022 (“**FY2022**”). Excluding the Demolition Gain, the Group recorded a consolidated net loss attributable to the equity holders of the Company of RMB49.2 million for FY2021.

**For identification purpose only*

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that having assessed the currently available information, the Group is likely to record a consolidated net profit attributable to the equity holders of the Company FY2022 of an amount ranging between RMB70 million to RMB90 million as compared to consolidated net loss attributable to the equity holders of the Company of RMB49.2 million for FY2021, before taking into account the Demolition Gain.

The Board believes that the improvement of the Group’s financial performance for FY2022 is mainly attributable to the following factors:

- (1) The extent of increase in average sales price of the products is greater than the increase in the cost of sales, leading to a considerable rise in sales revenue and overall gross profit margin.
- (2) The average price of the major raw material, maleic anhydride has decreased in FY2022 compared to that in FY 2021.
- (3) As disclosed in the 2021 Results Announcement, the Group had relocated its old the maleic anhydride production line to its new production plant in Dalian City in FY2021. Due to this operational adjustment, certain properties, plant and equipment can no longer be used, and hence the Group made a pre-tax provision for impairment of construction in progress and the property, plant and equipment of approximately RMB30 million in FY2021. After further assessment of the utilisation of the relocated, properties, plant and equipment, a further provision for impairment has been made in FY 2022, but with an amount which is substantially less than that in FY 2021.
- (4) As disclosed in the Interim Profit Alert Announcement, Changmao Biochemical Lianyungang Company Limited, a wholly-owned subsidiary of the Group, resumed production in 2021. It still operated at a loss in 2021, but it began to turn around in the second quarter of 2022 and realised profit in the whole year of 2022, resulting in a positive impact on the Group's net profit for FY2022.

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As the Company is still in the process of finalising the results of the Group for FY2022, the information contained in this announcement is a preliminary assessment by the Board with reference to the management accounts of the Group and the information currently available to the Company. Such information has not been audited or reviewed by the Company's auditor and/or the audit committee. Further details of the Group's performance will be disclosed when the Group's results for FY2022 are announced, which is expected to be on 28 March 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Changmao Biochemical Engineering Company Limited*
Rui Xin Sheng
Chairman

The PRC, 16 March 2023

As at the date hereof, Mr. Rui Xin Sheng (Chairman) and Mr. Pan Chun are the executive directors of the Company, 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, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin and Ms. Cheng Mun Wah are the independent non-executive directors of the Company.

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