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)

PROFIT WARNING

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).

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company and potential investors that having assessed the Group's unaudited consolidated management accounts for the three months ended 31 March 2017 ("**3M2017**"), there was a significant decline in the Group's consolidated net profit as compared to that for the corresponding period in 2016. The Board believes that the Group's financial performance for 3M2017 has been affected mainly by:

(i) the drop of profit margin of its products resulted from the significant increase in raw material price during the first three months in 2017 as compared to that in the corresponding period 2016; and

(ii) the transformation of its maleic anhydride production lines with an existing annual production capacity of 20,000 tons in its Changzhou plant (the "**Transformation**"). The Group commenced the Transformation in March 2017 and it is currently expected that the Transformation will be completed in the period of June to July 2017. Upon completion of the Transformation, butane instead of benzene will be used as a raw material to manufacture maleic anhydride. During the period of the Transformation, the production of maleic anhydride，a major raw material for the production of other major products of the Group，has to be temporarily suspended and the Group has to

**For identification purpose*

source maleic anhydride from external suppliers and incur extra energy costs such as steam cost and other manufacturing cost. Steam was a side product of the maleic anhydride production lines which was previously recycled for production of other products before the suspension. The Board considers that despite the adverse financial impact resulted from the temporary increase in production costs in the short-run, the Transformation is expected to have a cost saving advantage in the long run.

Based on the information currently available, the Group does not expect its results to substantially improve in the three months ending 30 June 2017. With reference to the results for 3M2017 and based on information currently available, in the event that the results of the Group does not improve in the three months ending 30 June 2017, the Group is expected to record a significant decline in the consolidated net profit for the six months ending 30 June 2017 as compared with that for the six months ended 30 June 2016.

The information contained in this announcement is a preliminary assessment by the Board with reference to the management accounts of the Group for 3M2017 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 the six months ending 30 June 2017 are announced.

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, 19 April 2017

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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, Prof. Ouyang Ping Kai, Prof. Yang Sheng Li, Ms. Wei Xin and Ms. Au Fung Lan are the independent non-executive directors of the Company.

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