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).

Reference is made to the profit warning announcement of the Company dated 16 July 2020 (the "**Profit Warning Announcement**") and the announcements of the Company dated 24 June 2020, 28 September 2020 and 2 December 2020 in relation to the relocation of production lines and possible construction of new production plant (the "**Relocation Announcements**"). Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Profit Warning Announcement and the Relocation Announcements.

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 for the year ended 31 December 2020 of approximately RMB27,000,000 to RMB34,000,000 before taking into account the impairment loss of property, plant and equipment and the write off of the deferred income tax assets in relation to its subsidiary, Changmao Biochemical Lianyungang Company Limited ("**Lianyungang Changmao**"), which represents a significant decline as compared with the consolidated net profit attributable to the equity holders of the Company of approximately RMB58,299,000 for the year ended 31 December 2019.

**For identification purpose*

The Board believes that the Group's financial performance for the year ended 31 December 2020 has been affected by the following factors:

(1) As mentioned in the Profit Warning Announcement, there was a decrease in the gross margin due to the weakened demand from the customers and the decrease in average selling prices of the Group's products as a result of the outbreak of the COVID-19 pandemic in early 2020.

(2) As mentioned in the Relocation Announcements, the Company has to close and relocate certain production lines in its Changzhou production plant in the affected area to cope with the changes in government policies. The Group ceased the production of maleic anhydride in June 2020. Before that, the Group produced part of the maleic anhydride used as raw materials for other products in the Changzhou Phase I plant. After production of maleic anhydride has been ceased, the Group has to purchase all the maleic anhydride from third parties. Starting in the fourth quarter of 2020, the price of maleic anhydride has increased significantly; in addition, the Group is no longer able to benefit from recycling the steam generated during the maleic anhydride production process. These factors had increased the production costs of the Group, leading to a decline in gross profit margin.

Furthermore, the Group expects that a provision for impairment of the property, plant and equipment and a write off of certain deferred income tax assets in relation to Lianyungang Changmao will be made for the year ended 31 December 2020. In order to comply with the government policies of Lianyungang and the long-term development plan of the Group, the Group will relocate the maleic anhydride production line in Lianyungang Changmao to the upcoming new production plant in Dalian. Due to this operational adjustment, certain properties, plant and equipment can no longer be used and certain deferred income tax assets in relation to tax losses carried forward will not be able to be realised. Management of the Group is still in the process of accessing the amount of the above losses. Further announcement(s) in this regard will be made by the Company as and when appropriate.

**For identification purpose*

The Group plans to construct a new production plant in Changxingdao, Dalian City, Liaoning Province, the PRC and relocate the maleic anhydride production lines of the Changzhou production plant and Lianyungang production plant to the new production plant in Changxingdao, Dalian City. The Company has entered into an investment agreement with 大連長興島經濟區管理委員會 (Dalian Changxingdao Economic Zone Management Committee*) ("**Changxingdao Committee**") on 2 December 2020 and agreed to construct a manufacturing plant for the production of products including maleic anhydride, etc. in Changxingdao, Dalian City, and to bid a parcel of land at Changxingdao, Dalian City through the "bid, auction and listing" procedures; and the Changxingdao Committee agreed to provide infrastructure construction subsidies to the Company in relation to the construction of the manufacturing plant. The Board expected that the production of maleic anhydride of the Group will return to normal after the Dalian production plant is put into operation. For details of the investment agreement, please refer to the announcement of the Company dated 2 December 2020.

As the Company is still in the process of finalising the results of the Group for the year ended 31 December 2020, 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 the year ended 31 December 2020 are announced, which is expected to be in late March 2021.

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, 5 March 2021

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, Ms. Wei Xin and Ms. Au Fung Lan are the independent non-executive directors of the Company.

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