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 announcements of the Company dated 24 June 2020, 28 September 2020, 2 December 2020, 9 April 2021 and 26 April 2021 in relation to the relocation of production lines and construction of a new production plant (the "**Relocation Announcements**"). Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in 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, although there is an estimated increase in the Group's sales revenue for the six months ended 30 June 2021, the Group is likely to record a consolidated net profit attributable to the equity holders of the Company for the six months ended 30 June 2021 of less than RMB1,000,000, which represents a significant decline as compared with the consolidated net profit attributable to the equity holders of the Company of approximately RMB15,178,000 for the six months ended 30 June 2020.

**For identification purpose*

The Board believes that the Group's financial performance for the six months ended 30 June 2021 has been affected by the decrease in gross profit margin due to the following adverse factors:

(1) 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 Plant 1. 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. For the six months ended 30 June 2021, the amount of maleic anhydride purchased by the Group from third parties was more than doubled over the corresponding period in last year, and the Group's average cost of maleic anhydride per ton increased by more than 45% compared with that in the corresponding period in last year, resulting in a substantial decrease in gross profit margin.

(2) After the cessation of the production of maleic anhydride, the Group is no longer able to benefit from recycling the steam generated during the maleic anhydride production process. For the six months ended 30 June 2021, the amount of steam purchased by the Group from third parties increased by more than 20% over the corresponding period in last year. It had increased the production costs of the Group, leading to a decline in gross profit margin.

(3) Export market demand had been weakened and transportation costs had greatly increased at the same time as a result of the COVID 19 pandemic, and the depreciation of United States Dollars had all adversely affected the performance of the Group.

The Group is constructing 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 Dalian New Plant. The Board expected that the production of maleic anhydride of the Group will return to normal after the Dalian New Plant is put into operation.

**For identification purpose*

As the Company is still in the process of finalising the results of the Group for the six months ended 30 June 2021, 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 six months ended 30 June 2021 are announced, which is expected to be on 18 August 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, 3 August 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.

**For identification purpose*