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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)

### **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 1 August 2023 (the “**Interim Profit Warning Announcement**”).

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 expected to record a consolidated net loss attributable to the shareholders of the Company for the year ended 31 December 2023 (“**FY2023**”) of an amount ranging between RMB85 million to RMB95 million. The consolidated net profit attributable to the shareholders of the Company was approximately RMB81,423,000 for the year ended 31 December 2022.

*\*For identification purpose only*

The Board believes that the Group’s financial performance for FY2023 has been mainly affected by:

- (1) decrease in sales revenue and gross profit margin due to the decrease in product selling prices and the weakening demand on export;
- (2) the Group’s new production plant in Dalian City started operation in the fourth quarter of 2022. Its production lines are still under adjustment to achieve the targeted output and costs. It is not profitable yet and has a negative impact on the Group’s overall gross profit margin. The Board expects that after the adjustments, the production lines of the Dalian plant will reach the planned production volume and costs, and its operating conditions will gradually improve, eventually becoming the growth point of the Group; and
- (3) the Group’s subsidiary, Changmao Biochemical Lianyungang Company Limited (“**Lianyungang Changmao**”) was loss-making in FY2023 as it had not operated in full capacity and there was a decrease in sales price of its products. In view of this, the Group has re-accessed the carrying value of the construction in progress, the property, plant and equipment and the deferred income tax assets of Lianyungang Changmao. Based on the Board’s latest assessment, it is expected that the Group would make a provision for impairment of construction in progress and property, plant and equipment and a write off of deferred income tax assets (“**Impairment Loss and DTA Write Off**”) of an aggregate amount ranging from RMB55 million to RMB65 million (2022: Nil). The Board wishes to emphasize that the Impairment Loss and DTA Write Off is a non-cash accounting treatment in accordance with Hong Kong Financial Reporting Standards and it has no effect on the cash flow for the Group’s operation.

As the Company is still in the process of finalising the results of the Group for FY 2023, 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 FY2023 are announced, which is expected to be at the end of March 2024.

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**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, 29 February 2024

*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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