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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

	2023	2022
	RMB'000	*RMB'000*
Revenue	**637,078**	730,034
(Loss)/profit for the year attributable to the shareholders of the Company	**(86,057)**	81,423

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2023.

* *For identification purpose only*

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2023 together with the audited comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	2	**637,078**	730,034
Cost of sales	5	**(611,269)**	(549,203)
Gross profit		**25,809**	180,831
Other income	3	**6,745**	3,477
Other (losses)/gains, net	4	**(1,112)**	1,895
Selling expenses	5	**(8,689)**	(8,421)
Administrative expenses	5	**(74,618)**	(88,545)
(Impairment losses)/reversal of loss allowance on financial assets	5	**(183)**	136
Operating (loss)/profit		**(52,048)**	89,373
Finance income		**1,051**	940
Finance costs		**(7,583)**	(2,669)
Finance costs, net		**(6,532)**	(1,729)
(Loss)/profit before income tax		**(58,580)**	87,644
Income tax expense	6	**(27,938)**	(6,286)
(Loss)/profit for the year		**(86,518)**	81,358
Other comprehensive income			
Item that may be reclassified to profit or loss			
– currency translation difference		**1**	9
Total comprehensive (loss)/income for the year		**(86,517)**	81,367
(Loss)/profit before for the year attributable to:			
Shareholders of the Company		**(86,057)**	81,423
Non-controlling interests		**(461)**	(65)
		(86,518)	81,358
Total comprehensive (loss)/income for the year attributable to:			
Shareholders of the Company		**(86,056)**	81,432
Non-controlling interests		**(461)**	(65)
		(86,517)	81,367
(Loss)/Earnings per share for (loss)/profit attributable to shareholders of the Company – basic and diluted	7	**RMB(0.162)**	RMB0.154

CONSOLIDATED BALANCE SHEET
As at 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
ASSETS			
Non-current assets			
Patents		**639**	773
Property, plant and equipment		**433,394**	427,492
Construction in progress		**339,054**	250,544
Right-of-use assets		**93,411**	95,386
Investment properties		**3,770**	4,128
Deferred income tax assets		**684**	24,654
Prepayments		**18,289**	30,744
Other non-current assets		**14,938**	10,988
		904,179	844,709
Current assets			
Inventories		**132,075**	160,911
Trade and bills receivables	9	**87,937**	75,422
Other receivables, deposits and prepayments		**17,642**	48,496
Income tax recoverable		**2,498**	1,244
Financial assets at fair value through other comprehensive income		**7,002**	3,636
Pledged bank balances		**1,609**	12,344
Cash and bank balances		**89,554**	59,993
		338,317	362,046
Total assets		**1,242,496**	1,206,755
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**52,970**	52,970
Reserves		**598,718**	725,561
		651,688	778,531
Non-controlling interests		**(99)**	362
Total equity		**651,589**	778,893

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**13,584**	40
Lease liabilities		**1,073**	1,207
Deferred income tax liabilities		**602**	525
Bank borrowings	10	**250,410**	152,073
		265,669	153,845
Current liabilities			
Trade and bills payables	11	**30,771**	66,538
Contract liabilities, other payables and accruals		**51,275**	69,065
Derivative financial instruments		**30**	192
Lease liabilities		**959**	680
Bank borrowings	10	**242,203**	137,542
		325,238	274,017
Total liabilities		**590,907**	427,862
Total equity and liabilities		**1,242,496**	1,206,755

Notes:

1 BASIS OF PREPARATION

Changmao Biochemical Engineering Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The Company formerly listed its H shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("SEHK") on 28 June 2002 which was then transferred to the Main Board of the SEHK on 28 June 2013. The principal activities of the Company and its subsidiaries (together, the "Group") are the production and sales of organic acids products.

The address of the Company's registered office is No.1228 Chang Jiang Bei Road, New North Zone, Changzhou City, Jiangsu Province, 213034, the PRC.

These consolidated financial statements are presented in Renminbi, unless otherwise stated. The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income and derivative financial instruments which are carried at fair value.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- Definition of Accounting Estimates – amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretation not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 REVENUE AND SEGMENT INFORMATION

Executive directors are identified as the chief operating decision maker. Management has determined the operating segments based on the information reported to the executive directors for the purposes of allocating resources and assessing performance.

The Group is engaged in the production and sales of organic acids products. Resources of the Group are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, and the executive directors consider the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirement of HKFRS 8.

	2023	2022
	RMB'000	*RMB'000*
Revenue from sales of goods, recognised at a point in time	**637,078**	730,034

An analysis of the Group's revenue by geographic location is as follows:

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**465,224**	474,146
Asia Pacific	**86,314**	106,921
Europe	**50,910**	90,098
America	**23,028**	45,938
Others	**11,602**	12,931
	637,078	730,034

Europe region mainly includes the Great Britain, Germany, Denmark, Spain and Italy whereas Asia Pacific region mainly includes Hong Kong, Indonesia, Australia, India, Thailand and Japan.

The analysis of revenue by geographic location is based on the country area in which the customer is located.

As at 31 December 2023, all the Group's non-current assets (other than the deferred income tax assets) which amounted to RMB903,495,000 (2022: RMB820,055,000) are mainly located in Mainland China.

Included in the revenue from sales of goods, approximately RMB35,115,000 (2022: RMB33,388,000) was contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 6% (2022: 5%) of the total revenue of the Group. There are no single customers contributing over 10% of the Group's total revenue.

Assets and liabilities related to contract with customers

The Group has not recognised any contract assets related to contract with customers as at 31 December 2023.

(i) Significant changes in contract liabilities
Contract liabilities have been decreased by RMB1,867,000 due to delivery of the goods.

(ii) Revenue recognised in relation to contract liabilities
The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the balance of contract liabilities at the beginning of the period.

	2023	2022
	RMB'000	*RMB'000*
Sales of products	**5,930**	7,374

3 OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants	**4,591**	2,171
Others	**2,154**	1,306
	6,745	3,477

4 OTHER (LOSSES)/GAINS, NET

	2023	2022
	RMB'000	*RMB'000*
Fair value gains/(losses) on financial liabilities at fair value through profit or loss	**271**	(1,526)
Net exchange (losses)/gains	**(246)**	7,770
Loss on disposal of property, plant and equipment	**(1,137)**	(4,349)
	(1,112)	1,895

5 EXPENSES BY NATURE

	2023	2022
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**7,488**	(66,843)
Raw materials and consumables used	**324,199**	378,371
Staff costs (including emoluments of Directors and Supervisors)	**89,667**	91,520
Utilities	**81,887**	80,072
Impairment loss on property, plant and equipment	**34,714**	–
Impairment loss on construction in progress	**3,869**	8,875
Depreciation of property, plant and equipment	**37,522**	28,558
Transportation costs	**28,714**	26,198
Research and development costs (Note (a))	**10,209**	13,920
Maintenance costs	**7,985**	16,093
Provision for inventories to net realisable value	**12,749**	17,607
Depreciation of right-of-use assets	**3,065**	2,814
Auditors' remuneration		
– audit services	**2,755**	1,604
– non audit services	**330**	–
Amortisation of patents	**134**	248
Impairment losses/(reversal of loss allowance) on financial assets	**183**	(136)
Other expenses	**49,289**	47,132
	694,759	646,033

(a) Included in research and development costs were mainly expenditures incurred for the formulation, design, evaluation and application of various forms of organic acids products for commercial use. Management assessed that those internal projects were in the research and initial development stage, and did not recognise any of those expenditure as an asset.

6 INCOME TAX EXPENSE

PRC Corporate Income Tax ("CIT") is provided for on the basis of the profit for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The Company, being qualified as a High and New Technology Enterprise ("HNTE"), is entitled to enjoy the preferential tax rate of 15% for three years starting from 2020. The Company has renewed the HNTE qualification successfully in November 2023. Other subsidiaries of the Company in Mainland China are subject to a standard tax rate of 25%.

The amount of income tax charged to consolidated statement of comprehensive income represents:

	2023	2022
	RMB'000	*RMB'000*
Current income tax	**3,891**	10,372
Deferred income tax	**24,047**	(4,086)
	27,938	6,286

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities as follows:

	2023	2022
	RMB'000	*RMB'000*
(Loss)/Profit before income tax	**(58,580)**	87,644
Calculated at the tax rates applicable to results of the respective consolidated entities	**(18,134)**	11,029
Expenses not deductible for tax purposes	**460**	376
Tax losses and timing differences for which no deferred income tax asset was recognised	**25,460**	8,185
Reversal of previously recognised deferred income tax assets	**23,652**	903
Previously unrecognised tax losses now recouped to reduce deferred tax expense (Note (c))	**–**	(7,314)
Previously unrecognised timing differences used to reduce deferred tax expense	**–**	(1,146)
Tax incentives for equipment (Note (a))	**–**	(1,977)
Tax incentives for research and development expenses (Note (b))	**(3,479)**	(3,723)
Others	**(21)**	(47)
Income tax expense	**27,938**	6,286

(a) According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC in 2022, the newly purchased equipment during the period from 1 October 2022 to 31 December 2022 can be one-off deducted in the calculation of taxable income in 2022, and 100% additional deduction before tax is allowed. The 100% additional deduction incentive has led to a reduction in income tax expenses.

(b) According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2021 onwards, enterprises engaging in research and development activities are entitled to claim 200% (2022: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended 31 December 2023 and 2022.

(c) Changmao Biochemical Lianyungang Company Limited ("Lianyungang Changmao") was qualified as a Technology-based Small and Medium Enterprises starting from 2022, and therefore its tax losses can be carried forward to offset taxable net profits for 10 years instead of the usual 5 years.

7 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss attributable to the shareholders of the Company of RMB86,057,000 (2022: profit of RMB81,423,000) and 529,700,000 (2022: 529,700,000) weighted average number of shares in issue during the year.

The Company had no dilutive potential shares in issue during the year (2022: Nil).

8 DIVIDENDS

No interim dividend was declared during the year (2022: Nil). The dividend paid in 2023 and 2022 were RMB40,787,000 and nil (RMB0.077 per share and nil) respectively. The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2023.

9 TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**66,459**	53,957
Bills receivables	**21,478**	21,465
	87,937	75,422

(a) The credit terms of trade receivables range from 30 to 210 days and the ageing analysis which is based on the invoice date of trade receivables is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 3 months	**62,680**	53,387
4 to 6 months	**4,611**	1,241
Over 6 months	**95**	73
	67,386	54,701
Less: Loss allowance	**(927)**	(744)
	66,459	53,957

(b) The maturity dates of bills receivables are normally within 6 months.

10 BANK BORROWINGS

	2023			2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	**54,650**	**250,410**	**305,060**	33,642	152,073	185,715
Unsecured bank borrowings	**187,553**	**–**	**187,553**	103,900	–	103,900
	242,203	**250,410**	**492,613**	137,542	152,073	289,615

As at 31 December 2023, the Group's bank borrowings are repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Repayable within 1 year	**242,203**	137,542
Between 1 and 2 years	**75,882**	35,145
Between 2 and 5 years	**174,528**	116,928
	492,613	289,615

(a) As at 31 December 2023, the secured bank borrowings are secured by the Group's land use rights in Dalian with the carrying value of RMB71,222,000 (2022: RMB72,729,000) and guaranteed by the Company.

(b) The bank borrowings are all denominated in RMB.

(c) As at 31 December 2023, the fair value of the non-current borrowings approximate RMB215,806,000 (2022: RMB93,161,000). The carrying amount of the Group's current borrowings approximate their fair value.

(d) As at 31 December 2023, the effective interest rate of the secured bank borrowings was 4.4% (2022: 4.3%) and the effective interest rate of the unsecured bank borrowings was 3.4% (2022: 3.6%).

(e) The Group has complied with the financial covenants of its bank borrowings during both periods presented.

11 TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**30,771**	27,222
Bills payables	**–**	39,316
	30,771	66,538

(a) The ageing analysis of trade payables which is based on the invoice date of trade payables is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 6 months	**30,313**	26,766
7 to 12 months	**111**	20
Over 12 months	**347**	436
	30,771	27,222

(b) The maturity dates of bills payables are normally within 6 months.

(c) The carrying amounts of trade and bills payables approximate their fair values and are all denominated in RMB.

BUSINESS REVIEW AND OUTLOOK

RESULTS FOR THE YEAR

The Group's sales revenue for the year ended 31 December 2023 was RMB637,078,000, which represented a decrease of approximately 13% as compared with that of approximately RMB730,034,000 in last year; the net loss attributable to shareholders of the Company was approximately RMB86,057,000, while the net profit attributable to shareholders of the Company for last year was RMB81,423,000.

The losses incurred by the Group in 2023 were mainly due to: (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 full operation, and its operating conditions will gradually improve, eventually becoming the growth point of the Group; and (3) Lianyungang Changmao was loss-making in 2023 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 made a provision for impairment of construction in progress and property, plant and equipment amounting to RMB38,583,000 (2022: Nil) and a write off of deferred income tax assets amounting to RMB23,652,000 (2022: Nil). The impairment loss and deferred tax asset write off are a non-cash accounting treatments in accordance with Hong Kong Financial Reporting Standards and have no effect on the cash flow for the Group's operation.

BUSINESS REVIEW

Facing the challenging operating environment, the Group strived to reduce costs, adjust sales strategies and strengthen research and development. In 2023, the Group's various aspects of work were as follows:

1. Production

In 2023, the Group paid close attention to management and technological innovation in the production process. It had focused on product quality and saving energy and reducing consumption throughout the year. During the year, the Group's factory in Changzhou (the "Changzhou Factory") completed transformation and upgrading and transitioned to stable production. By adjusting the production ratio of marketable products, the Group is able to ensure stability of production and sales volume in the overall market downturn. At the same time, the Group's factory in Dalian (the "Dalian Factory") has also speeded up its construction pace. The first-phase production line has been officially put into production, and the construction of the second-phase production line has also been basically completed and the production line is expected to start trial production in 2024. In 2023, the Group's factory in Lianyungang was greatly affected by the market prices of its products and the production environment of the industrial park, resulting in unstable production and inability to reach full production and sales. The management of the Group will specifically focus to adjust its production and sales plans and it is expected that there will be improvement in 2024.

2. Sales

Affected by the decrease in product price and weakened demand in export in 2023, the Group's sales work had faced great challenges. As such, the Group made adjustments to its sales strategy and carried out work to enhance the team's combat effectiveness, such as building a new team and improving the assessment mechanism during the year and has achieved certain results. Our sales teams will continue to maintain good relationship with our existing customers, develop new end users of the Group's products, strengthen service awareness, and strive to cope with the Group's business transformation and upgrading, seeking innovation and change.

3. Safety Management

The Group conscientiously implements various daily safety management measures. In 2023, the Group had further strengthened the building up of safety management culture. Safety is a red line, and it is also the premise for the survival and development of the Group. The Group will continue to strengthen the awareness of safety production, risk prevention and improve various safety management.

4. Environmental Management

The Group continues to increase investment in environmental protection and coordinates and organises various departments to implement improvements in various environmental protection aspects.

In 2023, the Changzhou Factory benefited from the environmental management standards and was included in Changzhou City's positive list of ecological environment supervision and law enforcement (常州市生態環境監督執法正面清單). During the year, the Changzhou Factory also piloted to carry out the requirements under the "Greenhouse Gas Emission Verification Statement (溫室氣體排放核查聲明) ", obtained the Product Carbon Footprint Certificate (產品碳足迹證書) and completed the Changzhou Municipal Green Factory review (常州市級綠色工廠評審).

The Group will continue to do a good job on environmental protection work, reduce energy consumption and emissions through continuous technological updates and investment in new equipment, promote Changzhou Factory's environmental management experience and create a good development environment for the development of the Group.

RESEARCH AND DEVELOPMENT

The Group will continue to maintain the level of investment in research and development. In 2023, the Group obtained 5 newly authorised patents, including 2 invention patents. The progress of key research and development projects are as follows:

1. ***Continue to promote the New Vitamin Pyrroloquinoline Quinone Disodium (PQQ. Na2) Project***

   The Group continued to invest in PQQ. Na2 products and carried out follow-up research, trial and market development. With the approval of the Ministry of Agriculture and Rural Affairs in 2023, the scope of application of the Group's feed additive PQQ. Na2 has been expanded to weaned piglets. The sales and research and development departments have also cooperated with customers and have obtained some feedback. The Group will continue to actively promote this project.

2. ***Active Pharmaceutical Ingredient (API) and Pharmaceutical Adjuvant Project***

   In 2023, the pharmaceutical division of the Group added a new pharmaceutical adjuvant, sodium tartrate, which was registered at the Center for Evaluation (CDE) of the State Drug Administration in December.

   The API and pharmaceutical adjuvant project upgrades the Group's existing products and is an effective way to increase the added value and economic benefits of products, and it is also the product direction that the Group will continue to invest in and focus on expanding.

OUTLOOK AND PROSPECTS

With the three factories of the Group in Changzhou, Lianyungang and Dalian as the pilers of the Group, the research and development, production and sales scale of the entire Group have reached a higher level, which put forward higher requirements for the overall coordination and coordination of the entire management. Therefore, the Group will continue to ensure stable development by focusing on the following aspects:

1. ***Promoting the Construction of New Plants***

   The Group will fully support the construction of the new plant in Dalian. The Dalian plant has a good foundation. It has new equipment with large scale, which is in line with the policy guidelines and is supported by the local government. The Dalian Factory is the main production base for chemical products of the Group. With leveraging the flexible and efficient advantages of the synergy from the first–phase and second-phase product chain, it will be the basis of the Group's competition in the future. Combined with these advantages and the industrialisation of scientific research results, the Dalian factory will further expand into new products such as new feed additives which will create new economic benefits.

2. ***Accelerating Technology Innovation and Improving Product Competitiveness***

The Group is adamant that technological innovation is essential for the long-term development of an enterprise. We strive to maintain a continuous increase in investment in research and development. The Group will continue to actively integrate existing resources and research and development teams, increase investment, attract talents, focus on tackling key problems, and rely on technological progress to reduce costs, increase efficiency and to improve product competitiveness. We will accelerate the research and development progress of new products. The Group will promote the upgrading of existing product chains, and continuously seek new profit sources and growth points.

3. ***Enhancing Safety and Environmental Protection Standards, Strengthening Risk Controls and Focus on Sustainable Development***

Safety, environmental protection and sustainable development considerations will play an increasingly important role in the Group's future business. In terms of safety, the Group will continue to strengthen safety risk controls, constantly improve safety in production environment, and reduce or even eliminate safety incidents. In terms of environmental protection, the Group will continue to promote cleaner production and implement pollution prevention to fulfill social responsibilities. The Group will always strive to promote energy conservation and consumption reduction, and continue to improve its management level on carbon footprint and pollutant emissions.

4. ***Focusing on Market Expansion and Develop Markets of High-end Customers***

The Group's sales team is customer-oriented and is dedicated to the development of key customers and end user of its products. The Group will actively research and develop new products to proactively meet customer needs. It aims at being honest and trustworthy in operation, improving the awareness and reputation of the Changmao brandname through the improvement of product quality and service, and improving its comprehensive competitiveness. In addition, the Group will continue to focus on the development of the international market, and enhance Changmao's international reputation and influence through collaborating with major international customers on new products and technologies.

There will be opportunities and challenges in the future. Based on the production of food additives, the Group will continue to improve the competitiveness of existing products and actively explore new market and new application areas. The Group will give full play to its own research and development and manufacturing advantages, develop new functional feed additives PQQ, new materials, APIs, pharmaceutical adjuvant and other new products, etc., to continue to extend the product chain, and continue to grow bigger and stronger.

The Group is fully aware that it is necessary to continuously evaluate and improve the current business conditions of each factory and plan for the future. The Group will also continue to actively manage and adjust its existing product chain to maintain a healthy development momentum with the goal of achieving maximum value for shareholders.

ANALYSIS OF KEY PERFORMANCE INDICATORS

Revenue *(2023: RMB637,078,000; 2022: RMB730,034,000)* ***and gross profit margin*** *(2023: 4.1%; 2022: 24.8%)*

Revenue and gross profit margin for the year ended 31 December 2023 decreased mainly because:

(1) Ther was a 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) Lianyungang Changmao was loss-making in 2023 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. Provision for impairment of construction in progress and property, plant and equipment amounting RMB38,583,000 (2022: Nil) was made, of which RMB38,549,000 was charged to cost of sales.

Selling and administrative expenses *(2023: RMB83,307,000; 2022: RMB96,966,000)*

The decrease in selling and administrative expenses was mainly because the Group did not accrue incentive bonuses under the profit-based incentive bonus plan in 2023.

Other income *(2023: RMB6,745,000; 2022: RMB3,477,000)*

The increase in other income was mainly due to the increase in government subsidies in 2023 compared with that in 2022.

Other (losses)/gains, net *(2023: loss of RMB1,112,000; 2022: gain of RMB1,895,000)*

The other losses in 2023 mainly represented the loss on disposal of property, plant and equipment whereas the other gains, net in 2022 mainly represented exchange gains partially offset by loss on disposal of property, plant and equipment.

***Finance costs, net** (2023: RMB6,532,000; 2022: RMB1,729,000)*

Despite the increase in bank borrowings which is mainly used for financing the construction of the new production plant in Dalian, most of the interest expenses incurred by the Dalian production plant are capitalised. The increase in financing costs was mainly due to the increase in the average balance of bank loans used for short-term working capital.

***Income tax expense** (2023: RMB27,938,000; 2022: RMB6,286,000)*

The Company, being qualified as a High and New Technology Enterprise, is entitled to a preferential CIT rate of 15% for the year ended 31 December 2023. Other subsidiaries of the Group in Mainland China are subject to a standard tax rate of 25%. For details of the difference on the tax on the Group's profit before income tax and the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities, please refer to Note 6 to the consolidated statement of comprehensive income. As at 31 December 2023, the deferred tax assets related to the carry forward of tax losses of Lianyungang Changmao was written off because they were unlikely to be realised. The amount of write off was RMB23,652,000 (2022: RMB8,437,000).

(Loss)/profit for the year attributable to the shareholders of the Company

The Group recorded a loss attributable to shareholders of the Company of approximately RMB86,057,000 for the year ended 31 December 2023 (2022: profit of RMB81,423,000), which was mainly due to the decrease in sales revenue and gross profit margin, as well as the impairment losses and deferred tax asset write-off of Lianyungang Changmao. The Board wishes to emphasize that the impairment loss and write off of deferred tax assets are non-cash accounting treatments in accordance with Hong Kong Financial Reporting Standards and have no effect on the cash flow for the Group's operation.

SEGMENTAL INFORMATION

Some of the Group's products are exported to Asia Pacific, Europe and America. As expressed as a percentage of revenue, export sales (excluding sales through import-export agents in the PRC) accounted for approximately 27.0% (2022: 35.1%) of the Group's revenue while domestic sales in the PRC accounted for approximately 73.0% (2022: 64.9%) of the Group's revenue.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operates in the PRC. Substantially all of its assets, liabilities and capital expenditure are located or incurred in Mainland China. Sales are made to customers in the PRC as well as overseas customers while purchases are mainly from suppliers in the PRC. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD. Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposure should the need arises. The Group used forward foreign exchange contracts to partially hedge the USD exposures during the year. As at 31 December 2023, the Group had outstanding forward foreign exchange contracts liability with fair value amounting to RMB30,000 (2022: RMB192,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had total outstanding bank borrowings of RMB492,613,000 (2022: RMB289,615,000). In 2023, the Group signed new loan agreements of RMB200 million with two commercial banks. As at 31 December 2023, bank loans of RMB153 million had been received, which was mainly used for the construction of new production lines at the Dalian Factory. For details of bank borrowings, please refer to Note 10 to the consolidated balance sheet.

Except for the bank borrowings disclosed above, as at 31 December 2023 and 2022, the Group did not have any committed borrowing facilities. The Group generally finances its operations with equity fundings and bank borrowings. Excess cash held by the Group is generally placed at banks to earn interest income or invested in wealth management products with banks of low risks.

As at 31 December 2023, the Group had capital commitments for property, plant and equipment amounting to approximately RMB86,586,000 (2022: RMB96,350,000). These capital commitments are mainly used for the construction of the Dalian Factory and the modification of production lines. The Group intends to finance the capital commitment by cash flows generated from the Group's operations and/or bank financings.

Save as disclosed above, the Group did not have any charge on its assets during the year ended 31 December 2023. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 47.6% (2022: 35.5%) as at 31 December 2023. The increase in liabilities-to-assets ratio is mainly due to the increase in bank borrowings for the construction of production lines in the Dalian Factory. As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB89,554,000 (2022: RMB59,993,000).

EMPLOYEES

Including the Directors and Supervisors, as at 31 December 2023, the Group had a total of 631 staff (2022: 507). Employees are remunerated in accordance with the nature of the job and also on individual merit. Total amount of staff costs for the year ended 31 December 2023 was approximately RMB89,667,000 (2022: RMB91,520,000). The cost of staff wages, benefits and retirement decreased mainly because there was no bonus paid to Directors and employees for the year ended 31 December 2023 under the incentive bonus scheme described below (2022: RMB7,110,000).

Under the staff incentive scheme for each of the three years ended 31 December 2025, so long as the audited profits (or, where applicable, combined or consolidated profits) attributable to the shareholders (after taxation and non-controlling interest (if any) but before payment of the bonuses referred to below) amount to not less than RMB40 million (the "Target Profit"):

(a) a sum equivalent to 5% of the amount in excess of the Target Profit will be payable to Mr. Rui Xin Sheng (the Chairman) as a bonus for the relevant year;

(b) a sum equivalent to 5% of the amount in excess of the Target Profit will be payable to the general manager and all the Directors (other than Mr. Rui Xin Sheng and the independent non-executive Directors) for the time being of the Company as a bonus for the relevant year; and

(c) a sum equivalent to 5% of the amount in excess of the Target Profit will be payable as bonus to all the employees (including supervisors, but excluding the Directors and the independent supervisors) of the Company and its subsidiaries (if any) from time to time, the basis of apportionment of which will be determined by the Board at its discretion.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee, which is chaired by an independent non-executive Director and currently has a membership comprising three independent non-executive Directors, has reviewed with the management and approved the consolidated financial statements for the year ended 31 December 2023.

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

DIVIDEND

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 28 May 2024. A notice convening the annual general meeting will be published in due course.

SIGNIFICANT INVESTMENTS

There are no significant investments held by the Group as at 31 December 2023 and 2022.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE YEAR

There are no material acquisitions and disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any material contingent liabilities.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests (including interests in shares and short positions) of the Directors, the Supervisors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) Section 352 of the SFO to be entered in the register referred to in that section; or (c) Appendix 10 of the Listing Rules relating to securities transactions by Directors; or (d) the Hong Kong Companies Ordinance (Cap. 622), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares:

	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares *(Note (h))*	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares *(Note (i))*	Number of H Shares	Approximate percentage shareholding in the H Shares *(Note (j))*
Director							
Mr. Rui Xin Sheng	Beneficial owner, interest of spouse, interest of controlled corporation *(Note (a))*	2,500,000	100%	135,000,000	39.30%	6,740,000	3.67%
Ms. Leng Yi Xin	Beneficial owner, interest of spouse and interest of controlled corporation *(Note (b))*	2,500,000	100%	135,000,000	39.30%	6,740,000	3.67%
Mr. Pan Chun	*(Note (c))*	–	–	*(Note (c))*	*(Note (c))*	–	–
Mr. Zeng Xian Biao	*(Note (d))*	–	–	*(Note (d))*	*(Note (d))*	–	–

	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares *(Note (h))*	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares *(Note (i))*	Number of H Shares	Approximate percentage shareholding in the H Shares *(Note (j))*
Mr. Yu Xiao Ping	Interest of spouse and interest of controlled corporation *(Note (e))*	–	–	66,000,000	19.21%	2,620,000	1.43%
Supervisor							
Ms. Zhou Rui Juan	*(Note (f))*	–	–	*(Note (f))*	*(Note (f))*	–	–
Mr. Zhang Jun Peng	*(Note (g))*	–	–	*(Note (g))*	*(Note (g))*	–	–

Notes:

(a) Mr. Rui is the registered holder and beneficial owner of 96,500 Class "A" shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class "A" shares and 100,000 Class "B" shares. Mr. Rui is also the registered holder and beneficial owner of 70% of the registered capital of Changzhou Xinsheng, which is the registered holder and beneficial owner of 2,500,000 Domestic Shares. Mr. Rui is the beneficial owner of 6,688,000 H Shares and Ms. Leng Yi Xin, a Director and spouse of Mr. Rui, is the beneficial owner of 52,000 H Share. Ms. Leng Yi Xin is also interested in HK Xinsheng and Changzhou Xinsheng, details of which are set out in Note (b) below.

(b) Ms. Leng is the registered holder and beneficial owner of 73,500 Class "A" shares and 53,000 Class "B" shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class "A" shares and 100,000 Class "B" shares. Ms. Leng is also the registered holder and beneficial owner of 30% of the registered capital of Changzhou Xinsheng, which is the registered holder and beneficial owner of 2,500,000 Domestic Shares. Ms. Leng is the beneficial owner of 52,000 H Share and Mr. Rui Xin Sheng (a Director and spouse of Ms. Leng) is the beneficial owner of 6,688,000 H Shares. Mr. Rui is also interested in HK Xinsheng and Changzhou Xinsheng, details of which are set out in Note (a) above.

(c) Mr. Pan is the registered holder and beneficial owner of 2,000 Class "B" shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class "A" shares and 100,000 Class "B" shares. He is also the registered holder and beneficial owner of 200,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares.

(d) Mr. Zeng is the registered holder and beneficial owner of 380,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares. Mr. Zeng is also the registered holder and beneficial owner of 2,000 Class "B" shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class "A" shares and 100,000 Class "B" shares.

(e) Mr. Yu and his spouse (who is not a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares. Mr. Yu's spouse, Ms. Lam Mau, is also the beneficial owner of 2,620,000 H shares.

(f) Ms. Zhou is the registered holder and beneficial owner of 220,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares.

(g) Mr. Zhang is the registered holder and beneficial owner of 800 Class "B" shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class "A" shares and 100,000 Class "B" shares. Mr. Zhang is also the registered holder and beneficial owner of 120,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares.

(h) The percentage is calculated based on the 2,500,000 Domestic Shares in issue as at 31 December 2023.

(i) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 31 December 2023.

(j) The percentage is calculated based on the 183,700,000 H Shares in issue at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors or chief executives of the Company have interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations (within the meaning of Part XV of the SFO) (including interests in shares and short positions) which were required to notify the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) Section 352 of the SFO to be entered in the register referred to in that section; or (c) Appendix 10 of the Listing Rules relating to securities transactions by Directors; or (d) the Hong Kong Companies Ordinance (Cap. 622), to be notified to the Company and the Stock Exchange.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year was the Company, its subsidiaries or its other associated corporation a party to any arrangement (including share option scheme) to enable the Directors, Supervisors and chief executive of the Company or any of their spouses or children under eighteen years of age to hold any interests or short position in the shares of underlying shares in or debentures of the Company of its specified undertakings or other associated corporation.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 December 2023, the followings, not being a Director, Supervisor or chief executive of the Company, had interests or short positions in the shares or underling shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares:

Name of Shareholder	Capacity	Number of Foreign Shares	Approximate Percentage shareholding in the Foreign Shares *(Note (e))*	Number of H Shares	Approximate Percentage shareholding in the H Shares *(Note (f))*
Hong Kong Xinsheng Pioneer Investment Company Limited	Beneficial owner	135,000,000	39.30%	–	–
Hong Kong Bio-chemical Advanced Technology Investment Company Limited	Beneficial owner	67,500,000	19.65%	–	–
Jomo Limited	Beneficial owner	66,000,000	19.21%	–	–
Ms. Lam Mau	Interest of spouse, interest of controlled corporation and beneficial owner	66,000,000 *(Note (a))*	19.21%	2,620,000 *(Note (a))*	1.43%
Kehai Venture Capital (Hong Kong) Limited	Beneficial owner	62,500,000	18.20%	–	–
上海科技創業投資股份有限公司 (Shanghai S&T Investment Company Limited*, formerly 上海科技投資股份有限公司)	Interest of controlled corporation	62,500,000 *(Note (b))*	18.20%	–	–
上海科技創業投資有限公司 (Shanghai Technology Entrepreneur Investment Company*, formerly 上海科技投資公司)	Interest of controlled corporation	62,500,000 *(Note (c))*	18.20%	–	–
上海科技創業投資(集團)有限公司 (Shanghai S&T Venture Capital (Group) Co., Ltd*)	Interest of controlled corporation	62,500,000 *(Note (d))*	18.20%	–	–

Notes:

(a) Ms. Lam Mau and her spouse, Mr. Yu Xiao Ping (who is a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares. Ms. Lam Mau is also the beneficial owner of 2,620,000 H shares.

(b) Shanghai S&T Investment Company Limited is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited, which is the registered holder and beneficial owner of 62,500,000 Foreign Shares.

(c) Shanghai Technology Entrepreneur Investment Company is the beneficial owner of 62.3% of the issued share capital of Shanghai S&T Investment Company Limited, which is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited. Kehai Venture Capital (Hong Kong) Limited is the registered holder and beneficial owner of 62,500,000 Foreign Shares.

(d) Shanghai S&T Venture Capital (Group) Co., Ltd is the beneficial owner of 100% of the issued capital of Shanghai Technology Entrepreneur Investment Company. Shanghai Technology Entrepreneur Investment Company is the beneficial owner of 62.3% of the issued capital of Shanghai S&T Investment Company Limited, which is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited. Kehai Venture Capital (Hong Kong) Limited is the registered holder and beneficial owner of 62,500,000 Foreign Shares.

(e) The percentage is calculated based on the 343,500,000 Foreign Shares in issue at 31 December 2023.

(f) The percentage is calculated based on the 183,700,000 H Shares in issue at 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any person, not being a Director, Supervisor or chief executive of the Company, had interests or short positions in the shares or underling shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE CAPITAL STRUCTURE

As at 31 December 2023, the category of the issued shares of the Company is as follows:

	No. of Shares
H shares (Note (a))	183,700,000
Domestic Shares (Note (b))	2,500,000
Foreign Shares (Note (c))	343,500,000
	529,700,000

Notes:

(a) Overseas listed foreign shares in the capital of the Company, with a RMB-denominated par value of RMB0.10 each, which were credited as fully paid up in a currency other than RMB and are traded in Hong Kong dollars and listed on Main Board.

(b) Ordinary shares in the capital of the Company, with a RMB-denominated par value of RMB0.10 each, which were credited as fully paid up in RMB and issued to the promoters of the Company.

(c) Ordinary shares in the capital of the Company, with a RMB-denominated par value of RMB0.10 each, which were credited as fully paid up in a currency other than RMB and issued to the promoters of the Company.

The H Shares were listed on the GEM on 28 June 2002 and the listing of which was transferred from the GEM to the Main Board on 28 June 2013.

Although the 到境外上市公司章程必備條款 (the Mandatory Provisions of the Articles of Association of Companies Seeking a Listing Outside the PRC) promulgated on 27 August 1994 by the Securities Commission of the State Council of the PRC and the State Commission for Restructuring the Economic System of the PRC provide for the definitions of "domestic shares", "foreign shares" and "overseas listed foreign shares" (which definitions have been adopted in the Articles of Association of the Company), the rights attached to Foreign Shares (which are subject to certain restrictions on transfer and may become H Shares upon obtaining the requisite approvals from, among other bodies, the China Securities Regulatory Commission and the Stock Exchange) have not yet been expressly dealt with under the existing PRC laws or regulations. However, the creation by the Company and the subsistence of the Foreign Shares do not contravene any PRC laws or regulations.

At present, there are no applicable PRC laws and regulations governing the rights attached to the Foreign Shares. Jingtian & Gongcheng, the legal adviser to the Company as to PRC Law, have advised the Company that until new laws or regulations are introduced in this respect, holders of Foreign Shares shall have the same rights and obligations as those of the holders of Domestic Shares (in particular, in respect of the right to attend and vote in the general meetings and class meetings and to receive notice of such meetings in the same manner applicable to holders of Domestic Shares), except that holders of Foreign Shares shall enjoy the following rights:

(a) to receive dividends declared by the Company in foreign currencies;

(b) in the event of the winding up of the Company, to participate in the distribution of surplus assets (if any) of the Company in foreign currencies and transfer such assets out of PRC, subject however to the applicable foreign exchange control regulations;

(c) disputes between holders of Domestic Shares and Foreign Shares may upon agreement between them may be resolved by way of arbitration and in case no such agreement is reached, any of the disputing parties could submit the dispute to the courts with competent jurisdiction for determination. These methods of dispute resolution apply equally to disputes between holders of Foreign Shares and overseas listed foreign shares; and

(d) upon all necessary approvals from the relevant regulatory authorities in the PRC and the Stock Exchange being obtained, the Foreign Shares may be converted into overseas listed foreign shares and shall thereafter carry the same rights and obligations attaching to overseas listed foreign shares.

PUBLIC FLOAT

At the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2023, the Company complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors.

The Company had also made specific enquiry of all Directors in relation to the compliance of the Model Code. Save for the above, the Company was not aware of any non-compliance with the Model Code for the year ended 31 December 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rule and the Company considers the independent non-executive Directors remained independent.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. As at 31 December 2023, the audit committee comprises three independent non-executive Directors, namely, Ms. Cheng Mun Wah, Mr. Zhou Zhi Wei and Mr. Shu Rong Xin.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including to review, inter alia, the Group's interim and annual results during the year ended 31 December 2023 and to recommend the Board the appointment of external auditors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 26 March 2024

As at the date hereof, Mr. Rui Xin Sheng (Chairman) and Mr. Pan Chun are the executive Directors, Mr. Zeng Xian Biao, Mr. Yu Xiao Ping, Mr. Wang Jian Ping and Ms. Leng Yi Xin are the non-executive Directors, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin and Ms. Cheng Mun Wah are the independent non-executive Directors.

DEFINITIONS

Board	Board of Directors of the Company
CG Code	Code provision of the Corporate Governance Code in appendix 14 of the Listing Rules
Changmao or the Company	Changmao Biochemical Engineering Company Limited
Changzhou Xinsheng	常州新生生化科技開發有限公司 (Changzhou Xinsheng Biochemical Technology Development Company Limited*)
CIT	Corporate Income Tax
Director(s)	Director(s) of the Company
Domestic Shares	Domestic shares of the Company
Foreign Shares	Foreign shares of the Company
GEM	Growth Enterprise Market of the Stock Exchange
Group	the Company and its subsidiaries
H Shares	H shares of the Company
HKAS	Hong Kong Accounting Standard
HK Bio	Hong Kong Bio-chemical Advanced Technology Investment Company Limited
HK Xinsheng	Hong Kong Xinsheng Pioneer Investment Company Limited
Lianyungang Changmao	Changmao Biochemical Lianyungang Company Limited, a subsidiary of the Company
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Main Board	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for avoidance of doubt, it does not include GEM for the purpose hereof

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
PRC	The People's Republic of China
RMB	Renminbi
SFO	Securities and Futures Ordinance
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	Supervisor(s) of the Company
USD	United States Dollars