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 2024

DISCLOSURE PURSUANT TO RULE 13.19 OF THE LISTING RULES

HIGHLIGHTS

	2024	2023
	RMB'000	*RMB'000*
Revenue	**584,794**	637,078
Loss for the year attributable to the shareholders of the Company	**(68,243)**	(86,057)

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2024.

* *For identification purpose only*

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2024 together with the audited comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Revenue	2	**584,794**	637,078
Cost of sales	5	**(568,017)**	(611,269)
Gross profit		**16,777**	25,809
Other income	3	**7,945**	6,745
Other losses, net	4	**(566)**	(1,112)
Selling expenses	5	**(10,174)**	(8,689)
Administrative expenses	5	**(70,845)**	(74,618)
Impairment losses on financial assets	5	**(205)**	(183)
Operating loss		**(57,068)**	(52,048)
Finance income		**846**	1,051
Finance costs		**(11,360)**	(7,583)
Finance costs, net		**(10,514)**	(6,532)
Loss before income tax		**(67,582)**	(58,580)
Income tax expense	6	**(669)**	(27,938)
Loss for the year		**(68,251)**	(86,518)
Other comprehensive income			
Item that may be reclassified to profit or loss			
– currency translation difference		**1**	1
Total comprehensive loss for the year		**(68,250)**	(86,517)
Loss for the year attributable to:			
Shareholders of the Company		**(68,243)**	(86,057)
Non-controlling interests		**(8)**	(461)
		(68,251)	(86,518)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(68,242)**	(86,056)
Non-controlling interests		**(8)**	(461)
		(68,250)	(86,517)
Loss per share for loss attributable to shareholders of the Company – basic and diluted	7	**RMB(0.129)**	RMB(0.162)

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Patents		**506**	639
Property, plant and equipment		**604,275**	433,394
Construction in progress		**230,344**	339,054
Right-of-use assets		**90,359**	93,411
Investment properties		**3,424**	3,770
Deferred income tax assets		**220**	684
Prepayments		**8,704**	18,289
Other non-current assets		**13,133**	14,938
		950,965	904,179
Current assets			
Inventories		**143,354**	132,075
Trade and bills receivables	9	**63,001**	87,937
Other receivables, deposits and prepayments		**15,306**	17,642
Income tax recoverable		**1,454**	2,498
Financial assets at fair value through other comprehensive income		**16,602**	7,002
Derivative financial instruments		**5**	–
Pledged bank balances		**1,108**	1,609
Cash and bank balances		**57,963**	89,554
		298,793	338,317
Total assets		**1,249,758**	1,242,496
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**52,970**	52,970
Reserves		**530,476**	598,718
		583,446	651,688
Non-controlling interests		**(107)**	(99)
Total equity		**583,339**	651,589

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**40,470**	13,584
Lease liabilities		**419**	1,073
Deferred income tax liabilities		**679**	602
Loans from shareholders		**10,500**	–
Bank borrowings	10	**9,800**	250,410
		61,868	265,669
Current liabilities			
Trade and bills payables	11	**28,700**	30,771
Contract liabilities, other payables and accruals		**60,436**	51,275
Derivative financial instruments		**–**	30
Lease liabilities		**675**	959
Bank borrowings	10	**514,740**	242,203
		604,551	325,238
Total liabilities		**666,419**	590,907
Total equity and liabilities		**1,249,758**	1,242,496

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.

Going concern basis

For the year ended 31 December 2024, the Group incurred a net loss of RMB68,251,000 and a net cash outflow from operation of RMB32,317,000. As at 31 December 2024, the Group had net current liabilities of RMB305,758,000 and the total bank borrowings of RMB524,540,000, of which RMB514,740,000 was current bank borrowings, while the Group's cash and bank balances amounted to RMB57,963,000.

One of the Group's subsidiaries (the "Subsidiary") did not meet the requirement of one of the financial covenants with respect to two project loans (the "Project Loans") regarding the Subsidiary's debt-to-assets ratio. The two Project Loans amounted to RMB282,634,000 as at 31 December 2024. As a consequence, the Project Loans became immediately repayable on request by the banks. No wavier has been obtained from the banks to waive the requirement of the relevant financial covenant. Consequently, the non-current portion of the Project Loans amounting to RMB206,474,000 with the original contractual repayment dates beyond 31 December 2025 was classified as current liabilities.

The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "Directors") have given due consideration to the liquidity and performance of the Group and available sources of financing to assess whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position:

- Management of the Company discussed with the banks and further understood that the banks have discretion to deem the intercompany advance to the Subsidiary as equity in nature in calculating the debt-to-assets ratio for the purpose of the covenant and therefore may not consider the Subsidiary to be non-compliant with the covenant. Hence, the Directors believe the Project Loans will continue to be advanced by the banks in accordance with the original terms of the Project Loans. The Subsidiary will further negotiate with the banks to obtain formal clarification or revision of the basis of assessment of the financial covenants applicable to the Project Loans. Should the Subsidiary be unsuccessful in obtaining such clarification or revision, the Group may convert the intercompany loans due from the Subsidiary into capital of the Subsidiary so as to enable the Subsidiary to fulfill its financial covenants under the Project Loans as and when necessary;

- The Group had uncommitted revolving bank facilities of RMB409,000,000, out of which approximately RMB162,666,000 was unutilized as at 31 December 2024. The Directors are of the opinion that such bank facilities will be available for drawdown as and when needed to fulfill the Group's financing requirement. The Group will also seek other alternative financing in order to settle its existing financial obligations and future operating needs;

- The Group has integrated the production lines of its subsidiaries to streamline the production process to reduce costs and will continue to implement cost reduction measures. The Directors of the Company also expect that, after the second phase production line of the Subsidiary is completed and it reaches the planned production volume and budgeted sales in 2025, the Group will be able to gradually improve its profitability and generate net operating cash inflows; and

- The Group has taken measures to monitor and control administrative costs and future capital expenditures, and will continue with measures to reduce cash outflows.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2024. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2024.

Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows and other factors as follows:

- The banks will exercise their discretion in the assessment of compliance of financial covenants and the Project Loans will continue to be advanced in accordance with the original terms. The Group can continue to comply with the terms and conditions of the bank borrowings and, where necessary, convert the intercompany loans due from the Subsidiary to the Company into capital of the Subsidiary to ensure compliance with relevant financial covenants;

- Successful and timely extension and renewal of its banking facilities and its bank borrowings, upon maturity as well as obtaining new financing from financial institutions. The Group's ability to obtain these financing depends on (1) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal; and (2) the Group's ongoing ability to comply with the relevant terms and conditions of its bank borrowings;

- Effective implementation of plans to reduce production costs through integration of product lines of its subsidiaries and the improvement of the second phase production line of the Subsidiary to generate net operating cash inflows; and

- Successful implementation of measures to control administrative costs and future capital expenditures.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(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 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to HKAS 1;

- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);

- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and

- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

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 2024 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.

- Amendments to HKAS 21 – Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to HKFRS 9 and HKFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- Annual improvements to IFRS – Volume 11 – Annual improvements (effective for annual periods beginning on or after 1 January 2026)
- HKFRS 18 – Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)
- HKFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)

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.

	2024	2023
	RMB'000	*RMB'000*
Revenue from sales of goods, recognised at a point in time	**584,794**	637,078

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

	2024	2023
	RMB'000	*RMB'000*
Mainland China	**404,527**	465,224
Asia Pacific	**91,854**	86,314
Europe	**59,638**	50,910
America	**17,529**	23,028
Others	**11,246**	11,602
	584,794	637,078

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 2024, all the Group's non-current assets (other than the deferred income tax assets) which amounted to RMB950,745,000 (2023: RMB903,495,000) are mainly located in Mainland China.

Included in the revenue from sales of goods, approximately RMB20,490,000 (2023: RMB35,115,000) was contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 4% (2023: 6%) 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 2024.

(i) Significant changes in contract liabilities
Contract liabilities have been increased by RMB724,000 due to decreased in 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.

	2024	2023
	RMB'000	*RMB'000*
Sales of products	**3,867**	5,930

3 OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Government grants	**4,501**	4,591
Others	**3,444**	2,154
	7,945	6,745

4 OTHER LOSSES, NET

	2024	2023
	RMB'000	*RMB'000*
Fair value gains on financial assets/liabilities at fair value through profit or loss	**217**	271
Net exchange gains/(losses)	**2,943**	(246)
Loss on disposal of property, plant and equipment and construction in progress	**(2,623)**	(1,137)
Loss on relocation of property, plant and equipment	**(1,103)**	–
	(566)	(1,112)

5 EXPENSES BY NATURE

	2024	2023
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(18,907)**	7,488
Raw materials and consumables used	**338,230**	324,199
Staff costs (including emoluments of Directors and Supervisors)	**96,369**	89,667
Utilities	**75,579**	81,887
Impairment loss on property, plant and equipment	**661**	34,714
Impairment loss on construction in progress	**267**	3,869
Depreciation of property, plant and equipment	**40,280**	37,522
Transportation costs	**27,818**	28,714
Research and development costs (Note (a))	**10,739**	10,209
Maintenance costs	**10,549**	7,985
Provision for inventories to net realisable value	**14,693**	12,749
Depreciation of right-of-use assets	**3,052**	3,065
Auditors' remuneration		
– audit services	**1,368**	2,755
– non-audit services	**47**	330
Amortisation of patents	**133**	134
Impairment losses on financial assets	**205**	183
Other expenses	**48,158**	49,289
	649,241	694,759

(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:

	2024	2023
	RMB'000	*RMB'000*
Current income tax	**128**	3,891
Deferred income tax	**541**	24,047
	669	27,938

The tax on the Group's loss 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:

	2024	2023
	RMB'000	*RMB'000*
Loss before income tax	**(67,582)**	(58,580)
Calculated at the tax rates applicable to results of the respective consolidated entities	**(19,238)**	(18,134)
Expenses not deductible for tax purposes	**357**	460
Tax losses and timing differences for which no deferred income tax asset was recognised	**22,779**	25,460
Reversal of previously recognised deferred income tax assets	**–**	23,652
Utilisation of previously unrecognised tax losses	**(11)**	–
Tax incentives for research and development expenses (Note (a))	**(3,285)**	(3,479)
Others	**67**	(21)
Income tax expense	**669**	27,938

(a) 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% (2023: 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 2024 and 2023.

7 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2024 is based on the loss attributable to the shareholders of the Company of RM68,243,000 (2023: RMB86,057,000) and 529,700,000 (2023: 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 (2023: Nil).

8 DIVIDENDS

No interim dividend was declared during the year (2023: Nil). Dividend paid in 2024 and 2023 were Nil and RMB40,787,000 (Nil and RMB0.077 per share), respectively. The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2024.

9 TRADE AND BILLS RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**43,010**	66,459
Bills receivables	**19,991**	21,478
	63,001	87,937

(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:

	2024	2023
	RMB'000	*RMB'000*
0 to 3 months	**40,841**	62,680
4 to 6 months	**3,216**	4,611
Over 6 months	**85**	95
	44,142	67,386
Less: Loss allowance	**(1,132)**	(927)
	43,010	66,459

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

10 BANK BORROWINGS

	2024			2023		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	**282,634**	**–**	**282,634**	54,650	250,410	305,060
Unsecured bank borrowings	**232,106**	**9,800**	**241,906**	187,553	–	187,553
	514,740	**9,800**	**524,540**	242,203	250,410	492,613

As at 31 December 2024, the Group's bank borrowings are repayable as follows:

	2024	2023
	RMB'000	*RMB'000*
Repayable within 1 year and	**514,740**	242,203
Between 1 and 2 years	**9,800**	75,882
Between 2 and 5 years	**–**	174,528
	524,540	492,613

(a) As at 31 December 2024, the secured bank borrowings are secured by the Group's land use rights in Dalian with the carrying value of RMB69,715,000 (2023: RMB71,222,000) and property, plant and equipment with carrying value of RMB78,298,000 (2023: Nil) and guaranteed by the Company.

(b) Under the terms of the secured bank borrowings, the subsidiary of the Company, Changmao Dalian, is required to maintain a debt-to-assets ratio of not more than 60% and 70% at the end of each annual period (the "Covenants"). If Changmao Dalian fails to meet these requirements, the banks have the right to require early repayment of the secured bank borrowings at any time. The debt-to-assets ratio of Changmao Dalian exceeded 70% as at 31 December 2024, and therefore did not meet the covenant requirement. As a result, the non-current portion of the secured bank borrowings amounting to RMB206,474,000 with the original contractual repayment dates beyond 31 December 2025 was reclassified as current liabilities. As disclosed in Note 1 to the consolidated financial statements in this announcement, management of the Company discussed with the banks and understood that the banks have discretion to deem the intercompany advance to the Changmao Dalian as equity in determining debt-to-assets ratio for the purpose of the covenant. Therefore, the banks can consider Changmao Dalian to be compliant with the covenants. The Company has accordingly considered that the repayment for these bank borrowings would follow the original repayment schedule as set out below. The Company will further negotiate with the banks to obtain formal clarification or revision of the basis of assessment of the debt-to-assets ratio of Changmao Dalian. Should the Group be unsuccessful in obtaining such clarification or revision, the Group may convert the intercompany loans due from Changmao Dalian to capital so as to enable Changmao Dalian to fulfill the debt-to-assets ratio requirement as and when necessary.

	2024
	RMB'000
Repayable within 1 year and	**76,160**
Between 1 and 2 years	**77,976**
Between 2 and 5 years	**128,498**
	282,634

Save as disclosed above, the Group has complied with other covenants of its bank borrowings during both periods presented.

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

(d) As at 31 December 2024, the fair value of the non-current borrowings approximate RMB9,422,000 (2023: RMB215,806,000). The carrying amount of the Group's current borrowings approximate their fair value.

(e) As at 31 December 2024, the effective interest rate of the secured bank borrowings was 4.4% (2023: 4.4%) and the effective interest rate of the unsecured bank borrowings was 3.1% (2023: 3.4%).

11 TRADE AND BILLS PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**23,158**	30,771
Bills payables	**5,542**	–
	28,700	30,771

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

	2024	2023
	RMB'000	*RMB'000*
0 to 6 months	**22,565**	30,313
7 to 12 months	**163**	111
Over 12 months	**430**	347
	23,158	30,771

(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

RESULT FOR THE YEAR

The Group's sales revenue was approximately RMB584,794,000 for the year ended 31 December 2024, represented a decrease of 8% from approximately RMB637,078,000 in last year; the net loss attributable to the Company's shareholders was approximately RMB68,243,000, represented a decrease of 21% year-on-year.

The main reason for the Group's loss in 2024 was the poor performance of its two subsidiaries in Dalian and Lianyungang.

Due to the shortage of maleic anhydride during the epidemic, its price had been rising, which had caused many chemical companies to build new maleic anhydride production lines. These production lines has been put into production in 2024, resulting in a serious oversupply in the market and a continuous decline in product prices. As a result, the sales of maleic anhydride products of the first phase of the Group's Dalian plant were affected, resulting in losses. Therefore, we have speeded up the construction of the production lines of the Dalian New products, special acid anhydride, (including tetrahydrophthalic anhydride, hexahydrophthalic anhydride, methyl hexahydrophthalic anhydride and succinic anhydride, etc.), and had started trial production in the second half of the year. However, trial use and verification process of customers for new products is relatively long, and the output of the new products of the Dalian factory can only be gradually increased, therefore it is impossible to absorb the maleic anhydride produced in Phase I production line. The incomplete production chain has led to an increase in overall production costs, and the effect of reducing losses is not obvious. At the same time, due to the influence of local park management policies and energy supply, the Lianyungang factory has been unable to operate at full capacity and failed to turn losses into profits within the year.

As such, the Group reorganised its product chain and relocated and integrated part of the production lines using maleic anhydride as raw material at the Lianyungang plant to Dalian starting from the fourth quarter. With the hardwork of different parties, most of the relocation work was finally completed by the end of the year. After the relocation is completed, the Dalian plant can quickly form a complete product chain with malic acid, fumaric acid and other products, digest the maleic anhydride produced by the Phase I production line, and give full play to the advantages of comprehensive energy utilisation, improve the comprehensive competitiveness of products, and accelerate the speed of turning losses into profits.

BUSINESS REVIEW

1. Production

In 2024, the Group tapped the potential of its existing production capacity while ensuring product quality. The Group divided the production tasks into various workshops and departments, and successfully completed the target of increasing the production volume through technological innovation, refined management and labor competition, and achieved an 18% increase in production volume of its main products throughout the year.

2. Sales

The global economic downturn and the rise of trade protectionism after the epidemic are suppressing consumer demand. In 2024, the unit prices of the Group's main products continued to decline, and sales revenue decreased by approximately 8% compared with that of last year, but total sales volume increased by 9%, which helped the Group better grasp the market share of each product. This showed that the Group's products are highly competitive and favored by customers. At the same time, the Group had also optimised the incentive mechanism, actively promoted high value-added products, developed high-tech products, exchanged better services and products for higher profits, and stabilised the revenue under the condition of declining product unit prices.

The Group also achieved results in product sales in Dalian. Within a few months after the trial production, the special acid anhydride of the Dalian plant's new products has been successfully tested and verified by hundreds of companies, laying the foundation for the future sales increase of new products.

3. Security Management

The Group conscientiously implements daily safety management work. In 2024, the Group completed various tasks such as the third-level creation of safety standardization for hazardous chemicals operating enterprises, in-depth safety inspection and rectification, and Shengrui (盛瑞)"3.0" work method assessment.

4. Environmental management

The Group continues to increase its investment in environmental protection and coordinates all departments to implement various environmental improvement work. In 2024, the Group complied with various environmental management regulations, completed the upgrading and renovation of Changzhou's environmental protection facilities, and improved the sewage treatment system capacity. Following the latest international policies, the Changzhou plant obtained the Carbon Footprint Certificate and Greenhouse Gas Emission Verification Statement for its main products. The Changzhou factory has made great efforts to save energy and reduce consumption during the year, and the overall energy consumption for the whole year has decreased by 14%. Through a series of work including system construction, technological innovation, equipment upgrade, green procurement and management, the Company has obtained the "Jiangsu Green Factory" certification.

5. Scientific research and development

The Group has always maintained its investment in research and development. It has a total of 44 patents, 30 invention patents, 14 utility model patents, and has completed 11 registrations of raw materials and pharmaceutical excipients at the end of 2024.

The Group launched 14 new R&D projects during the year, obtained 1 new authorized invention patent, applied for 3 new invention patents, and completed the registration of 1 new pharmaceutical excipient.

6. Key projects

The Dalian factory will continue to be the focus of the Group in the future. Maleic anhydride, which is the product of the Phase I production line of the Dalian factory, is the Group's signature product. Not only does its production process have Changmao Group characteristics, its consumption is lower than that of its peers, and its quality is also higher than that of externally purchased products. Therefore, the Group's self-use of maleic anhydride can not only ensure a stable supply of raw materials for subsequent products, but also enhance the product quality of the entire product chain and improve competitiveness. In 2024, the trial production of the new product, special acid anhydride, had began. Since the start of production, production and sales have steadily increased, and the quality has been widely recognised by customers. At present, the special acid anhydride produced by domestic manufacturers has been lagging behind of those produced by their foreign counterparts in terms of product quality and selling price in some high-end application fields, and their market shares in high-end application fields are relatively low. The Group aims at the market of special acid anhydride products. From the beginning of plant design and construction, we have aimed to produce products that match the international top brands, strived for high-end industry chain customers, and implemented the strategy for import substitution and laid a strong foundation for the high quality development of Changmao.

OUTLOOK

In the future, the Group will continue to ensure stable development by adhering to the following aspects:

1. **Supportive to the Dalian plant**

   The Group will continue to fully support the product development and sales of the Dalian plant. The Dalian plant has a good foundation with new equipment and able to produce in large scale, which is in line with policy trends, and is supported by the local government. As the Group's only chemical production base, the comprehensive and flexible product chain is the basis of the Group's competitiveness. Combined with existing products and technical reserves, the product chain will be continuously updated with Dalian Phase I product, maleic anhydride, as a foundation to improve the comprehensive competitiveness of products and create new economic benefits for the Group.

2. **Accelerate technological innovation and promote product upgrades**

   The Group insists that technological innovation is the source of long-term development of an enterprise. We still overcome difficulties during the transformation and upgrading period and maintain the continuous increase of R&D investment. In the future, the Group will actively integrate existing resources and R&D teams, increase investment, attract talents, focus on key research, rely on technological progress to accelerate the R&D and production of new feed additives, new materials, active pharmaceutical ingredient ("APIs") and pharmaceutical excipients, electronic-grade chemicals and other new products, cultivate new products that are safe, environmentally friendly and competitive in the market, promote the renewal and upgrading of the existing product chain, and seek new sources of profit.

3. **Improve safety and environmental protection levels and strengthen risk control**

   The Group's long-term focus on safety and environmental protection investment will be transformed into competitive advantages. In terms of safety, the Group will continue to strengthen safety risk control, constantly improve the safe production environment, and eliminate safety accidents. In terms of environmental protection, the Group will continue to promote clean production, implement pollution prevention, and fulfill social responsibilities. The Group was certified as a green factory in Jiangsu Province in 2024, and will always strive to improve the level of energy and resource consumption, carbon neutrality, pollutant emissions, etc., to create a resource-saving and environmentally friendly enterprise that complies with the national dual carbon strategy and keeps pace with the global carbon footprint policy.

4. **Focus on market development and develop high-end end customers**

   The Group is committed to the development of major customers and end users, adhering to the customer-centric approach, actively innovating, and meeting diverse needs. At the same time, it abides by business ethics and actively practices the ESG concept. Ultimately, it improves comprehensive competitiveness through product quality and service and maintains the value of Changmao's brand. In addition, the Group will continue to focus on the development of international markets and enhance Changmao's technical level and international influence through cooperation with major international customers on new products and new technologies.

Looking ahead, opportunities and challenges coexist. The Group will continue to improve the competitiveness of existing products based on the production of food additives, and actively explore new market categories and new application areas. It will give full play to its own R&D and manufacturing advantages, develop new feed additives, new materials, APIs and pharmaceutical excipients, electronic-grade chemicals and other new products, and continuously extend and expand the product chain, become bigger and stronger, and strive to create new performance.

ANALYSIS OF KEY PERFORMANCE INDICATORS

Revenue (2024: RMB584,794,000; 2023: RMB637,078,000) and gross profit margin (2024: 2.9%; 2023: 4.1%)

Revenue and gross profit margin for the year ended 31 December 2024 decreased mainly because:

(1) There was a decrease in sales revenue and gross profit margin due to the decrease in product selling prices and the increase in market competition; and

(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.

Selling and administrative expenses *(2024: RMB81,019,000; 2023: RMB83,307,000)*

The decrease in selling and administrative expenses was mainly because the Group has taken measures to control administration costs.

Other income *(2024: RMB7,945,000; 2023: RMB6,745,000)*

The increase in other income was mainly due to the increase in government subsidies in 2024 compared with that in 2023.

Other losses, net *(2024: RMB566,000; 2023: RMB1,112,000)*

The other losses in 2024 decreased mainly because there were exchange gains in 2024 which was partly offset by the increase on loss on disposal of property, plant and equipment.

Finance costs, net *(2024: RMB10,514,000; 2023: RMB6,532,000)*

The increase in financing costs was mainly due to the increase in the average balance of bank borrowings. Part of the interest expenses on bank borrowings that used for financing the construction of the new production plant in Dalian production plant are capitalised. The amount of interest expenses that was capitalised has slightly increased as compared to last year.

Income tax expense *(2024: RMB669,000; 2023: RMB27,938,000)*

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 2024. Other subsidiaries of the Group in Mainland China are subject to a standard tax rate of 25%. As at 31 December 2023, the deferred tax assets related to the carry forward of tax losses of Lianyungang Changmao amounting to RMB23,652,000 was written off because they were unlikely to be realised. There was no such written off for the year ended 31 December 2024. 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 financial statements in this announcement.

Loss for the year attributable to the shareholders of the Company

The Group recorded a loss attributable to shareholders of the Company of approximately RMB68,243,000 for the year ended 31 December 2024 (2023: RMB86,057,000), which was mainly due to the decrease in sales revenue and gross profit margin.

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 30.8% (2023: 27.0%) of the Group's revenue while domestic sales in the PRC accounted for approximately 69.2% (2023: 73.0%) 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 and foreign exchange swap contracts to partially hedge the USD exposures during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had total outstanding bank borrowings of RMB524,540,000 (2023: RMB492,613,000). As at 31 December 2024, the secured bank borrowings are secured by the Group's land use rights in Dalian with the carrying value of RMB69,715,000 (2023: RMB71,222,000) and property, plant and equipment with carrying value of RMB78,298,000 (2023: Nil) and guaranteed by the Company. For details of bank borrowings, please refer to Note 10 to the consolidated financial statements in this announcement.

Except for the bank borrowings disclosed above, as at 31 December 2024 and 2023, 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 2024, the Group had capital commitments for property, plant and equipment amounting to approximately RMB34,719,000 (2023: RMB86,586,000). 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 2024. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 53.3% (2023: 47.6%) as at 31 December 2024. The increase in liabilities-to-assets ratio is mainly due to the increase in bank borrowings. As at 31 December 2024, the Group's cash and cash equivalents amounted to RMB57,963,000 (2023: RMB89,554,000).

EMPLOYEES

Including the Directors and Supervisors, as at 31 December 2024, the Group had a total of 582 staff (2023: 631). 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 2024 was approximately RMB98,884,000 (2023: RMB89,667,000). The cost of staff wages, benefits and retirement increased mainly because of salary increment.

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.

There was no profit-based incentive bonus for the year ended 31 December 2024 and 2023.

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 2024.

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 2024 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 in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance 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 2024.

DIVIDEND

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2024.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 28 May 2025. 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 2024 and 2023.

The Group is constructing a new plant in Dalian City. Details of capital commitments are set out in the paragraph headed "Liquidity and Financial Resources" above. Save for that, the Group has no plans for material investments or capital assets.

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 2024.

CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, the Group did not have any material contingent liabilities.

DISCLOSURE PURSUANT TO RULE 13.19 OF THE LISTING RULES

The Group has two project loans (the "Project Loans") with total outstanding balance of RMB282,634,000 as at 31 December 2024. As at 31 December 2024, one of the Group's subsidiaries (the "Subsidiary") did not meet the requirement of one of the financial covenants regarding the Subsidiary's debt-to-assets ratio with respect to the Project Loans, and caused the Project Loans became immediately repayable if requested by the banks. No wavier has been obtained from the banks to waive the requirement from compliance of the relevant financial covenant.

Management of the Company discussed with the banks and further understood that the banks have discretion to deem the intercompany advance to the Subsidiary as equity in nature in calculating the debt-to-assets ratio for the purpose of the covenant and therefore may not consider the Subsidiary to be non-compliant with the covenant. Hence, the Directors believe the Project Loans will continue to be advanced by the banks in accordance with the original terms of the Project Loans. The Subsidiary will further negotiate with the banks to obtain formal clarification or revision of the basis of assessment of the financial covenants applicable to the Project Loans. Should the Subsidiary be unsuccessful in obtaining such clarification or revision, the Group may convert the intercompany loans due from the Subsidiary into capital of the Subsidiary so as to enable the Subsidiary to fulfill its financial covenants under the Project Loans as and when necessary.

Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate or required.

GOING CONCERN

For the year ended 31 December 2024, the Group incurred a net loss of RMB68,251,000 and a net cash outflow from operation of RMB32,317,000. As at 31 December 2024, the Group had net current liabilities of RMB305,758,000 and the total bank borrowings of RMB524,540,000, of which RMB514,740,000 was current bank borrowings, while the Group's cash and bank balances amounted to RMB57,963,000.

Due to the reason stated in Note 1 to the consolidated financial statements in this announcement, the non-current portion of the Project Loans amounting to RMB206,474,000 with the original contractual repayment dates beyond 31 December 2025 was classified as current liabilities.

All of the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given due consideration to the liquidity and performance of the Group and available financing to assess whether the Group will have sufficient financial resources to continue as a going concern. Plans and measures ("Plans and Measures") as set out in Note 1 to the consolidated financial statements in this announcement have been taken to mitigate the liquidity pressure and to improve the Group's financial position.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2024. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the Plans and Measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2024.

Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows through the Plans and Measures.

Please refer to Note 1 to the consolidated financial statements in this announcement for further details.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The section below sets out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2024:

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which states that the Group incurred a net loss of RMB68,251,000 and a net cash outflow from operation of RMB32,317,000 for the year ended 31 December 2024. As at 31 December 2024, the Group had net current liabilities of RMB305,758,000 and the total bank borrowings of RMB524,540,000, of which RMB514,740,000 were current bank borrowings, while the Group's cash and bank balances amounted to RMB57,963,000. One of the Group's subsidiaries did not meet the requirement of one of the financial covenants with respect to two project loans (the "Project Loans") regarding the Subsidiary's debt-to-assets ratio. The two project loans amounted to RMB282,634,000 as at 31 December 2024. As a consequence, the Project Loans became immediately repayable on request by the banks. These conditions, along with other events and conditions as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2024, 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 C3 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%	12,236,000	6.66%
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%	12,236,000	6.66%
Mr. Pan Chun	*(Note (c))*	–	–	*(Note (c))*	*(Note (c))*	–	–
Mr. Zeng Xian Biao	*(Note (d))*	–	–	*(Note (d))*	*(Note (d))*	–	–
Mr. Yu Xiao Ping	Interest of spouse and interest of controlled corporation *(Note (e))*	–	–	66,000,000	19.21%	3,774,000	0.25%
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 12,184,000 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 12,184,000 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 3,774,000 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 2024.

(i) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 31 December 2024.

(j) The percentage is calculated based on the 183,700,000 H Shares in issue at 31 December 2024.

Save as disclosed above, as at 31 December 2024, 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 C3 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 2024, 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%	3,774,000	2.05%
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 3,774,000 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 2024.

(f) The percentage is calculated based on the 183,700,000 H Shares in issue at 31 December 2024.

Save as disclosed above, as at 31 December 2024, 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 2024, 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 2024, the Company complied with the code provisions of Corporate Governance Code as set out by the Stock Exchange in part 2 of Appendix C1 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 2024.

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 2024, 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 2024 and to recommend the Board the appointment of external auditors.

By order of the Board
Rui Xin Sheng
Chairman

The PRC, 28 March 2025

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 part 2 of Appendix C1 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	GEM operated by 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 C3 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