



CMBE

INTERIM REPORT **2023**

CHANGMAO BIOCHEMICAL ENGINEERING COMPANY LIMITED

常茂生物化學工程股份有限公司

(A Joint Stock Limited Company Incorporated In The People's Republic Of China)

(Stock Code: 954)

CONTENTS

Condensed Consolidated Financial Statements	2
Notes to Condensed Consolidated Financial Statements	7
Business and Financial Review	18
Disclosure of Interests	26
Other information	32
Glossary	35

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – Unaudited

		For the six months ended 30 June	
	Note	2023 RMB'000	2022 RMB'000
Revenue	5	296,608	382,810
Cost of sales		(255,138)	(291,795)
Gross profit		41,470	91,015
Other income	6	1,469	642
Other gains, net	7	1,404	2,036
Selling expenses		(3,594)	(3,222)
Administrative expenses		(32,034)	(41,257)
Reversal of loss allowance on financial assets		–	2
Operating profit		8,715	49,216
Finance income		494	512
Finance costs		(3,211)	(1,576)
Finance costs, net	8	(2,717)	(1,064)
Profit before income tax	9	5,998	48,152
Income tax expense	10	(2,082)	(7,498)
Profit for the period		3,916	40,654
Other comprehensive income			
Item that may be reclassified to profit or loss			
– currency translation difference		3	5
Total comprehensive income for the period		3,919	40,659
Profit for the period attributable to:			
Shareholders of the Company		4,157	40,880
Non-controlling interests		(241)	(226)
		3,916	40,654
Total comprehensive income for the period attributable to:			
Shareholders of the Company		4,160	40,885
Non-controlling interests		(241)	(226)
		3,919	40,659
Earnings per share for profit attributable to shareholders of the Company			
– basic and diluted	11	RMB0.008	RMB0.077

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2023 – Unaudited

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Patents	13	706	773
Property, plant and equipment	14	417,578	427,492
Right-of-use assets	14	93,846	95,386
Investment properties	14	3,949	4,128
Construction in progress	14	317,083	250,544
Deferred income tax assets		26,443	24,654
Prepayment		34,424	30,744
Other non-current assets		10,073	10,988
		904,102	844,709
Current assets			
Inventories		172,149	160,911
Trade and bills receivables	15	73,439	75,422
Other receivables, deposits and prepayments		12,439	48,496
Income tax recoverable		–	1,244
Financial assets at fair value through other comprehensive income		12,924	3,636
Pledged bank balances	16	1,607	12,344
Cash and bank balances	16	100,132	59,993
		372,690	362,046
Total assets		1,276,792	1,206,755
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	17	52,970	52,970
Reserves	18	688,934	725,561
		741,904	778,531
Non-controlling interests		121	362
Total equity		742,025	778,893

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	<i>Note</i>	30 June 2023 RMB'000	31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		13,968	40
Lease liabilities		1,232	1,207
Deferred income tax liabilities		564	525
Bank borrowings	19	134,286	152,073
		150,050	153,845
Current liabilities			
Trade and bills payables	20	20,374	66,538
Contracted liabilities, other payables and accruals		42,610	69,065
Derivative financial instruments		200	192
Income tax payable		1,012	–
Lease liabilities		377	680
Dividend payable		40,787	–
Bank borrowings	19	279,357	137,542
		384,717	274,017
Total liabilities		534,767	427,862
Total equity and liabilities		1,276,792	1,206,755

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – Unaudited

	Attributable to shareholders of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	52,970	190,249	453,880	697,099	427	697,526
Profit for the period	–	–	40,880	40,880	(226)	40,654
Other comprehensive income – currency translation difference – Group	–	5	–	5	–	5
Balance at 30 June 2022	52,970	190,254	494,760	737,984	201	738,185
Balance at 1 January 2023	52,970	190,258	535,303	778,531	362	778,893
Profit for the period	–	–	4,157	4,157	(241)	3,916
Other comprehensive income – currency translation difference – Group	–	3	–	3	–	3
Final dividend for the year ended 31 December 2022	–	–	(40,787)	(40,787)	–	(40,787)
Balance at 30 June 2023	52,970	190,261	498,673	741,904	121	742,025

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 – Unaudited

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(11,538)	49,088
Interest paid	(7,274)	(5,391)
Income tax paid	(1,576)	(21,959)
Net cash (used in)/generated from operating activities	(20,388)	21,738
Cash flows from investing activities		
Prepayments for construction in progress, property, plant and equipment	(908)	(32,716)
Purchase of property, plant and equipment	(949)	(219)
Proceeds from disposal of property, plant and equipment	82	624
Additions of construction in progress	(71,292)	(86,947)
Increase in other financial asset	–	(10,000)
Decrease in short-term bank deposits with maturities of over 3 months	–	450
Government grant received	15,000	–
Interest received	494	512
Investment income received	109	369
Net cash used in investing activities	(57,464)	(127,927)
Cash flows from financing activities		
Principal elements of lease payments	(282)	(283)
Proceeds from bank borrowings	199,856	206,375
Repayment of bank borrowings	(75,581)	(50,288)
Prepayment for professional services	(2,772)	–
Net cash generated from financing activities	121,221	155,804
Net increase in cash and cash equivalents	43,369	49,615
Effect of foreign exchange rate changes	(3,230)	6,152
Cash and cash equivalents at 1 January	59,993	58,178
Cash and cash equivalents at 30 June	100,132	113,945

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Changmao Biochemical Engineering Company Limited is a joint stock limited company incorporated in the PRC. The Company listed its H shares on GEM of the Stock Exchange on 28 June 2002 and the listing of its H shares was transferred to the Main Board of the Stock Exchange on 28 June 2013. The principal activities of Group are the production and sale of organic acid 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 condensed consolidated interim financial statements are presented in Renminbi, unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial information has been prepared in accordance with applicable disclosure provisions of Listing Rules, including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the 2022 Financial Statements.

This condensed consolidated interim financial information was approved for issue on 18 August 2023. This condensed consolidated interim financial information has not been audited.

The accounting policies used in preparing the condensed consolidated interim financial statements are consistent with those used in the 2022 Financial Statements. Other New HKFRSs which have become effective in this period have no material impact on the accounting policies in the Group's condensed consolidated interim financial statements for the period.

2.1 New and amended standards

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023. These new standards and amendments did not have any impact on the amount recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

There have been no material changes in the risk management policies since year end.

5 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 sale of organic acid 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.

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Mainland China	219,341	249,051
Asia Pacific	38,365	65,407
Europe	23,306	37,626
America	9,153	22,308
Others	6,443	8,418
	296,608	382,810

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

As at 30 June 2023, all of the Group's non-current assets (other than the deferred income tax assets) amounted to RMB877,659,000 (31 December 2022: RMB820,055,000) are located in Mainland China.

6 OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of scrap materials	9	45
Government grants	496	126
Others	964	471
	1,469	642

7 OTHER GAINS, NET

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Fair value gains/(losses) on financial assets at fair value through profit or loss	165	(480)
Net exchange gains	1,244	4,025
Loss on disposal of property, plant and equipment	(5)	(1,509)
	1,404	2,036

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE COSTS, NET

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	7,105	5,580
Interest paid/payable for lease liabilities	38	18
Less: amounts capitalised on qualifying assets	(3,932)	(4,022)
	3,211	1,576
Interest income on bank deposits	(494)	(512)
	2,717	1,064

9 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Amortisation of patents	67	124
Amortisation of right-of-use assets	1,540	1,341
Depreciation	19,640	14,345

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE

PRC 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 a preferential CIT rate of 15% for three years starting from 2020, and should apply for HNTE qualification renewal in 2023. Other subsidiaries of the Group 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:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– Provision for CIT	3,832	8,286
Deferred income tax	(1,750)	(788)
	2,082	7,498

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	5,998	48,152
Calculated at the tax rates applicable to results of the respective consolidated entities	(1,172)	6,858
Expenses not deductible for tax purposes	8	–
Tax losses and time differences for which no deferred income tax asset was recognised	4,970	655
Others	(1,724)	(15)
Income tax expense	2,082	7,498

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

The calculation of earnings per share for the six months ended 30 June 2023 is based on the profit attributable to the shareholders of the Company of approximately RMB4,157,000 (for the six months ended 30 June 2022: RMB40,880,000) and 529,700,000 shares (for the six months ended 30 June 2022: 529,700,000 shares) weighted average number of shares in issue during the period.

The Company has no dilutive potential shares in issue during the period (Corresponding period in 2022: Nil).

12 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (Corresponding period in 2022: Nil).

13 PATENTS

	RMB'000
Net book value as at 1 January 2023	773
Amortisation	(67)
<hr/>	
Net book value as at 30 June 2023	706

14 CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Construction in progress RMB'000
Net book value as at 1 January 2023	427,492	95,386	4,128	250,544
Transfer from construction in progress	8,685	–	–	(8,685)
Additions	949	–	–	75,224
Disposal	(87)	–	–	–
Depreciation/amortisation charge	(19,461)	(1,540)	(179)	–
<hr/>				
Net book value as at 30 June 2023	417,578	93,846	3,949	317,083

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables (<i>note (a)</i>)	51,168	53,957
Bills receivables (<i>note (b)</i>)	22,271	21,465
	73,439	75,422

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

	30 June 2023 RMB'000	31 December 2022 RMB'000
0 to 3 months	49,333	53,387
4 to 6 months	2,493	1,241
Over 6 months	86	73
	51,912	54,701
Less: Loss allowance	(744)	(744)
	51,168	53,957

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 PLEDGED BANK BALANCES AND CASH AND BANK BALANCES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Cash and bank balances – cash and cash equivalents	100,132	59,993
Pledged bank balances	1,607	12,344
Total	101,739	72,337
	30 June 2023 RMB'000	31 December 2022 RMB'000
Denominated in:		
– RMB	88,903	62,329
– USD	12,478	9,689
– Hong Kong Dollars	358	319
	101,739	72,337

The conversion of Renminbi denominated balances into foreign currencies and the remittance of these funds out of the Mainland China is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17 SHARE CAPITAL**Registered, issued and fully paid**

	Share capital	
	Number of shares at RMB0.10 each	Nominal value RMB'000
At 30 June 2023 and 31 December 2022	529,700,000	52,970

As at 30 June 2023 and 31 December 2022, the share capital of the Company composed of 2.5 million Domestic Shares, 343.5 million promoter Foreign Shares and 183.7 million H Shares. The H Shares rank pari passu with the Domestic Shares and promoter Foreign Shares in all aspects and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars and H Shares may only be subscribed by legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES

	Share premium RMB'000	Statutory common reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	102,559	87,233	461	(4)	453,880	644,129
Profit for the period	-	-	-	-	40,880	40,880
Other comprehensive income						
– currency translation difference						
– Group	-	-	-	5	-	5
At 30 June 2022	102,559	87,233	461	1	494,760	685,014

	Share premium RMB'000	Statutory common reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	102,559	87,233	461	5	535,303	725,561
Profit for the period	-	-	-	-	4,157	4,157
Other comprehensive income						
– currency translation difference						
– Group	-	-	-	3	-	3
Final dividend for the year ended 31 December 2022	-	-	-	-	(40,787)	(40,787)
At 30 June 2023	102,559	87,233	461	8	498,673	688,934

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 BANK BORROWINGS

	30 June 2023			31 December 2022		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Secured bank borrowings	34,601	134,286	168,887	33,642	152,073	185,715
Unsecured bank borrowings	244,756	–	244,756	103,900	–	103,900
	279,357	134,286	413,643	137,542	152,073	289,615

As at 30 June 2023, the Group's bank borrowings are repayable as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	279,357	137,542
Between 1 and 2 years	37,990	35,145
Between 2 and 5 years	96,296	116,928
	413,643	289,615

The secured bank borrowings are secured by the Group's land use rights at Dalian with a net book value of RMB71,976,000 as at 30 June 2023 (31 December 2022: RMB72,729,000) and guaranteed by the Company.

All the bank borrowings are denominated in RMB. The carrying amounts of these bank borrowings approximate their fair values.

As at 30 June 2023, the effective interest rate of the secured bank borrowings was 4.3% (31 December 2022: 4.3%) and the effective interest rate of the unsecured bank borrowings was 3.5% (31 December 2022: 3.6%).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND BILLS PAYABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade payables	20,374	27,222
Bills payables	–	39,316
	20,374	66,538

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

	30 June 2023 RMB'000	31 December 2022 RMB'000
0 to 6 months	20,010	26,766
7 to 12 months	63	20
Over 12 months	301	436
	20,374	27,222

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

21 CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

22 COMMITMENTS

Capital commitment for property, plant and equipment of the Group are as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contracted but not provided for	48,328	96,350

BUSINESS AND FINANCIAL REVIEW

BUSINESS REVIEW AND OUTLOOK

Results for the Half Year

The Group's sales revenue for the six months ended 30 June 2023 was approximately RMB296,608,000, which represented a decrease of approximately 23% as compared with that of RMB382,810,000 in the corresponding period in last year; the net profit attributable to Shareholders of the Company was approximately RMB4,157,000, which represented a decrease of approximately 90% compared with that of RMB40,880,000 in the corresponding period in last year.

The main factors affecting the decline in the performance of the Group in the first half of 2023 are as follows: (1.) The unit selling price of the Group's main products decreased in the first half of the year; (2.) There was a decrease in overseas demand which led to a decrease in export sales; and (3.) The Dalian factory only started operation in the fourth quarter of 2022. Its production and sales are still under adjustment. Due to the impact of the declining product price cycle and the trial production, the production capacity and cost of the Dalian factory in the first half of the year did not meet the expectation, which had a negative impact on the overall gross profit margin of the Group.

Business Review

In the first half of 2023, the production and sales volume of the Group remained balanced. The production and sales volume of the Changzhou factory increased slightly, and the gross profit margin was at the same level as that of the corresponding period last year. With the commencement of the production of maleic anhydride in the first phase in Dalian plant in the fourth quarter of 2022, the production and sales volume of the Group's maleic anhydride increased compared with the corresponding period last year. However, due to the impact of the declining product price cycle, the overall turnover of the Group still fell by about 23% compared with the corresponding period last year.

The safety and environmental protection management department of the Group continues to promote the improvement of safety and environmental protection of each factory, and integrates the culture of safe production and green environmental protection into each post and each work link. In the first half of this year, the Group actively carried out the preparation work for application of green factories (綠色工廠) title, combined with daily management to continuously improve the management level of factories, improve the working conditions of employees, and enhance the competitiveness of products.

BUSINESS AND FINANCIAL REVIEW

Research and Development

In 2023, the Group's research projects progressed steadily. In the first half of the year, numbers of independent and outsourced research and development projects were carried out as planned, including new product research and development and production process improvement of existing products.

The pharmaceutical business unit and the sales department focused on the promotion of pharmaceutical adjuvant and active pharmaceutical ingredients ("APIs"). These products are updates and upgrades to the Group's existing products and can effectively increase added value. In the first half of this year, sales of pharmaceutical adjuvant and APIs of the Group increased over the corresponding period in last year.

In the first half of the year, the Group also started the promotion of a new product, pyrroloquinoline quinone disodium salt ("PQQ.Na2"), which is a new feed additive.

MAJOR PROJECTS

(1) Construction project of the Dalian plant

Changmao (Dalian) New Material Company Limited is the future focus of the Group. Changxingdao, Dalian City has a good investment environment where import and export are convenient and is one of the seven major petrochemical industrial bases in the PRC. Compared with the Changzhou factory, the Dalian factory has the production advantage because the factory has a more complete product chain. The construction of the new base in Changxingdao, Dalian City aims to expand the production scale of maleic anhydride of the Group, and to produce new products to further enhance the Group's production advantages. At the same time, it accelerates the industrialisation process of the Group's research and development projects and promotes the upgrading of the existing product chain.

The first phase of the Dalian factory has been put into operation, and the current production is gradually improving. Affected by the product price cycle, the first phase production of the maleic anhydride is not yet profitable. The construction of the second phase (including PQQ.Na2 production) has started in the first half of the year. The Group is concentrating its efforts to support the construction of the second phase, striving for the early production of the second phase products, and forming a new product chain as soon as possible to improve the overall competitiveness of the Group.

BUSINESS AND FINANCIAL REVIEW

(2) Transformation and upgrading of the Changzhou plant

In the first half of 2023, the transformation and upgrading of the Changzhou plant progressed smoothly, and the production capacity utilisation was good. The Changzhou plant will continue to carry out intelligent transformation of each production lines, and new facilities such as new research and development office buildings and automated warehouses are expected to be completed and put into use within this year. The Changzhou factory has carried out a “intelligent and digital transformation” to seize the opportunity of digital transformation, which will not only further improve production efficiency, but also enable the factory to operate better. Through this experience, it will be a role model for the transformation of other factories in the future.

OUTLOOK AND PROSPECTS

In the future, the Group will adhere to the technology innovation for its development and promote its work according to customer needs. The Group will always focus on economic benefits and rely on the supporting advantages of the product chain to maintain its leading position in the industry. The Group will continue to reduce costs and increase efficiency and expand the scale effect, continuously to improve product quality and service, and firmly establish the image of Changmao brand, and will focus on the following aspects:

(1) Accelerating the transformation and upgrading to promote the construction of new production plant

The Group will fully support the construction of the production base in Changxingdao, Dalian City. The Dalian factory has a good foundation with new equipment and can produce in large scale. It conforms with policy trends, and is supported by the local government. In the future, the Dalian plant will be the main production base of the Group’s chemical products, which combines the advantages of existing product chain and the industrialisation process of scientific research results. It will expand its product range to new materials, APIs and new feed additives, etc. to create new economic benefits for the Group.

(2) Accelerating technology innovation and promoting product upgrade

The Group insists that technological innovation is the driving force for long-term development of an enterprise. During the transformation and upgrading period, we overcame difficulties and still continued to increase investment in technological innovation. In the future, the Group will actively integrate existing resources and the research and development team, increase investment, attract talents, focus on tackling key problems. By relying on technological advancement and speeding up the research and development, it will cultivate new products which are safe, environmentally friendly and with strong competitiveness. Moreover, it will optimise its product structure, promote the upgrading and extension of existing product chains, and to seek new profit source.

BUSINESS AND FINANCIAL REVIEW

(3) **Enhancing safety and environmental protection standards and strengthening risk control**

With the laws and regulations related to safety and environmental protection has becoming stricter, the elimination process of small and medium-sized enterprises that failed to meet those standards has been accelerated, leaving the industry to further concentration on strong enterprises that complied with the relevant requirements. The Group has strictly complied with various safety and environmental regulations and transformed it into a competitive advantage. In terms of safety, the Group will continue to strengthen safety controls to reduce risks, improve the safety of the production environment, reduce and eliminate safety accidents. In terms of environmental protection, the Group will continue to promote clean production and implement pollution prevention to fulfill its social responsibility. The Group endeavors to become an environment-friendly enterprise which saves energy, be carbon neutral, and reduces emissions of wastes, and be a resource-saving and environment-friendly enterprise to pave the way for the Group's sustainable development.

(4) **Focusing on market expansion and develop markets of high-end customers**

The Group's sales team is customer-oriented and is dedicated to explore and develop superior customers and end-users. By meeting customer needs through the improvement of product quality and service, enhancing the reputation and adding value to the Changmao brand, the overall competitive advantages are enhanced. In addition, the Group will also focus on the development of the international market, and enhance the international reputation and influence of Changmao through collaboration with new international customers in new products and technologies.

(5) **Proposed A shares Offering**

In consideration of the long-term development of the Group, the Board has approved the proposal to apply to the relevant security regulatory authorities for issuance and listing of A shares of the Company on Shenzhen Stock Exchange pursuant to the Company Law of the PRC, the Securities Law of the PRC and other relevant laws, regulations and regulatory documents. As of the date of this report, the Company has not yet finalised the plan of the proposed A shares offering. The proposed A shares offering may or may not proceed. There is no assurance that the proposed A share listing will proceed and complete successfully.

There will be opportunities and challenges in the future. The Group will continue the production of food additives as its core business, increase the competitiveness of its existing products, accelerate the launch of new products at the same time and actively explore new markets and new application areas. The Group will capitalise its research and production strengths, to develop new functional food additives, new materials and APIs, etc. and extend its production chains, to become bigger and stronger to achieve better results.

BUSINESS AND FINANCIAL REVIEW

REVIEW OF FINANCIAL STATEMENTS

The audit committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 in conjunction with the Directors.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023.

SEGMENTAL INFORMATION

Part of the Group's products are exported to Asia Pacific, Europe and America. In terms of percentage, export sales (excluding sales through import-export agents in the PRC) accounted for approximately 26% (for the six months ended 30 June 2022: 35%) of the Group's revenue while domestic sales in the PRC accounted for approximately 74% (for the six months ended 30 June 2022: 65%) of the Group's revenue for the six months ended 30 June 2023.

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 were 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 various currency exposures, primarily with respect to USD. Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposure should the need arises. During the period, the Group used certain forward contracts to hedge its foreign currency exposure in USD.

BUSINESS AND FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had total outstanding bank borrowings of RMB413,643,000 (31 December 2022: RMB289,615,000), details of which are set out in Note 19 to the condensed consolidated interim financial statements.

Except for the bank borrowings disclosed above, as at 30 June 2023 and 31 December 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 invest in low-risk wealth management products offered by state-owned commercial banks to earn investment income.

As at 30 June 2023, the Group had capital commitments for property, plant and equipment amounting to approximately RMB48,328,000. These capital commitments are mainly related to the construction of the new production plant in Dalian City, the PRC and new projects in Changzhou. The Group intends to finance the capital commitment by cash flows generated from the Group's operations and/or bank financings.

Save for that disclosed in Note 19 to the condensed consolidated interim financial statements, the Group did not have any charge on its assets as at 30 June 2023. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 41.9% and 35.5% as at 30 June 2023 and 31 December 2022 respectively. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB100,132,000 (31 December 2022: RMB59,993,000).

The increase in bank borrowings was due to the funding requirements for the construction of the new factory in Dalian City, the PRC. The Directors believe that the Group is in a healthy financial position.

BUSINESS AND FINANCIAL REVIEW

EMPLOYEES

Including the Directors, as at 30 June 2023, the Group employed a total of 574 employees (30 June 2022: 479 employees). Total amount of staff costs for the six months ended 30 June 2023 was approximately RMB46,082,000 (for the six months ended 30 June 2022: RMB42,387,000). The increase in staff cost was mainly due to the increase in number of staff and salary increment. Employees are remunerated in accordance with the nature of the job and also on individual merit. The Company also formulated a staff incentive scheme under which for the year ending 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 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 6 months ended 30 June 2023 (30 June 2022: RMB4,000,000).

BUSINESS AND FINANCIAL REVIEW

SIGNIFICANT INVESTMENTS

There are no significant investments held by the Group as at 30 June 2023 and 31 December 2022.

The Group is constructing a new plant in Dalian City. Details of capital commitments are set out in Note 22 to the condensed consolidated interim financial statements. Save for that, the Group has no plans for material investments or capital assets.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE PERIOD

There was no material acquisitions and disposals of subsidiaries and affiliated companies by the Group during the six months ended 30 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

DISCLOSURE OF INTERESTS

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 30 June 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))	
<i>Director</i>							
Mr. Rui Xin Sheng ("Mr. Rui")	Beneficial owner, interest of spouse and interest of controlled corporation (Note (a))	2,500,000	100%	135,000,000	39.30%	3,820,000	2.08%
Ms. Leng Yi Xin ("Ms. Leng")	Beneficial owner, interest of spouse and interest of controlled corporation (Note (b))	2,500,000	100%	135,000,000	39.30%	3,820,000	2.08%
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%	2,620,000	1.43%
<i>Supervisor</i>							
Ms. Zhou Rui Juan	(Note (f))	-	-	(Note (f))	(Note (f))	-	-
Mr. Zhang Jun Peng	(Note (g))	-	-	(Note (g))	(Note (g))	-	-

DISCLOSURE OF INTERESTS

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 3,768,000 H Shares and Ms. Leng, a Director and spouse of Mr. Rui, is the beneficial owner of 52,000 H Share. Ms. Leng 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 (a Director and spouse of Ms. Leng) is the beneficial owner of 3,768,000 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 Chun 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 Xian Biao 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. He 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 Xiao Ping 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 Xiao Ping’s spouse, Ms. Lam Mau, is also the beneficial owner of 2,620,000 H shares.
- (f) Ms. Zhou Rui Juan 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.

DISCLOSURE OF INTERESTS

- (g) Mr. Zhang Jun Peng 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. He 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 30 June 2023.
- (i) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 30 June 2023.
- (j) The percentage is calculated based on the 183,700,000 H Shares in issue at 30 June 2023.

Save as disclosed above, as at 30 June 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.

DISCLOSURE OF INTERESTS

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 30 June 2023, the followings, not being a Director, Supervisor or chief executive of the Company, had interests or short positions in the shares or underlying 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%	–	–

DISCLOSURE OF INTERESTS

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))
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.

DISCLOSURE OF INTERESTS

- (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 30 June 2023.
- (f) The percentage is calculated based on the 183,700,000 H Shares in issue at 30 June 2023.

Save as disclosed above, as at 30 June 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 underlying 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.

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

At no time during the period 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 executives 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 or underlying shares in or debentures of the Company or its specific undertaking or other associated corporation.

OTHER INFORMATION

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 six months ended 30 June 2023.

SHARE CAPITAL STRUCTURE

As at 30 June 2023, the category of the issued shares of the Company is as follows:

	No. of Shares
H shares (<i>Note (a)</i>)	183,700,000
Domestic Shares (<i>Note (b)</i>)	2,500,000
Foreign Shares (<i>Note (c)</i>)	343,500,000
	<hr/>
	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 the Main Board of the Stock Exchange.
- (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 of the Company were listed on the GEM on 28 June 2002. The listing of the H Shares of the Company was subsequently transferred from GEM to the Main Board of the Stock Exchange on 28 June 2013.

OTHER INFORMATION

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.

OTHER INFORMATION

COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has 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 during the six months ended 30 June 2023.

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. The Company was not aware of any non-compliance with the Model Code for the six months ended 30 June 2023.

By order of the Board

Rui Xin Sheng

Chairman

The PRC, 18 August 2023

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.

GLOSSARY

2022 Financial Statements	The Group's annual financial statements for the year ended 31 December 2022
Board	Board of Directors of the Company
CG Code	Code provisions of 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	GEM of the Stock Exchange
Group	The Company and its subsidiaries
H Shares	H shares of the Company
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
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

* For identification purpose only

GLOSSARY

New HKFRSs	New standards, amendments and interpretations of Hong Kong Financial Reporting Standards
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