



CMDEC

# ANNUAL REPORT 2024

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

• Corporate Profile	2
• Corporate Information	4
• Chairman's Statement	5
• Management Discussion and Analysis	10
• Profile of Directors, Supervisors and Senior Management	14
• Corporate Governance Report	19
• Environmental and Social Report	31
• Report of the Directors	42
• Report of the Supervisory Committee	58
• Independent Auditor's Report	60
• Consolidated Statement of Comprehensive Income	68
• Consolidated Balance Sheet	69
• Consolidated Statement of Changes in Equity	71
• Consolidated Cash Flow Statement	72
• Notes to the Consolidated Financial Statements	73
• Five Year Summary	140
• Definitions	141

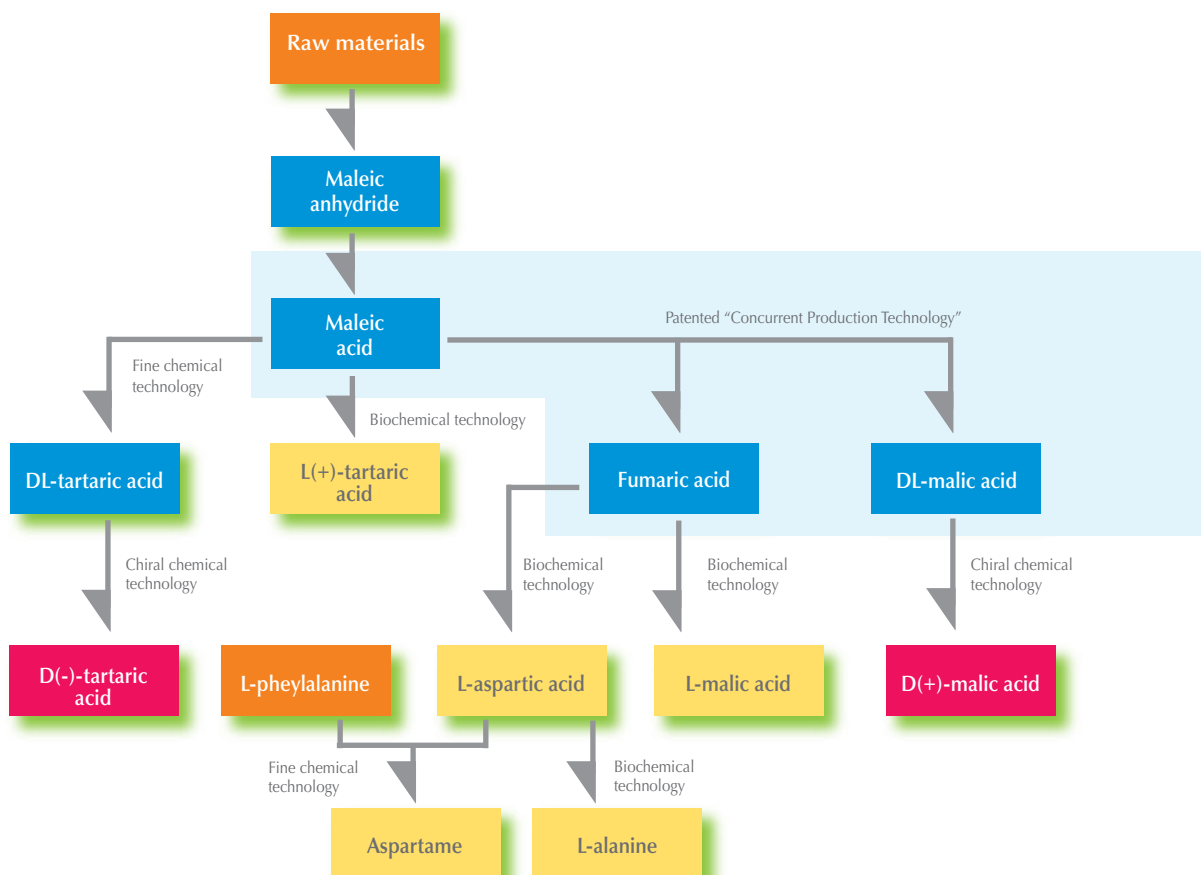


## CORPORATE PROFILE

Established in 1992, Changmao Biochemical Engineering Company Limited is a leading organic acid producer in the PRC. Changmao produces organic acids products for sales to food additive, chemical and pharmaceutical industries. Changmao's products conform to the highest international standards and are sold domestically and exported to overseas such as Europe, Asia Pacific and America.

The core products of the Group are organic acids and their derivatives with four carbons in their structures including maleic anhydride, fumaric acid, maleic acid, L-malic acid, D-malic acid, DL-malic acid, L(+)-tartaric acid, D(-)-tartaric acid, DL-tartaric acid, L-aspartic acid and aspartame. These products are mainly used as food additives or medical intermediaries. The Group's major products are produced along vertical production chains. The major advantage of the production chains is that each of the products in the production chains is also a finished product for sales to customers.

### PRODUCTION FLOWCHART OF CHANGMAO'S PRODUCTS

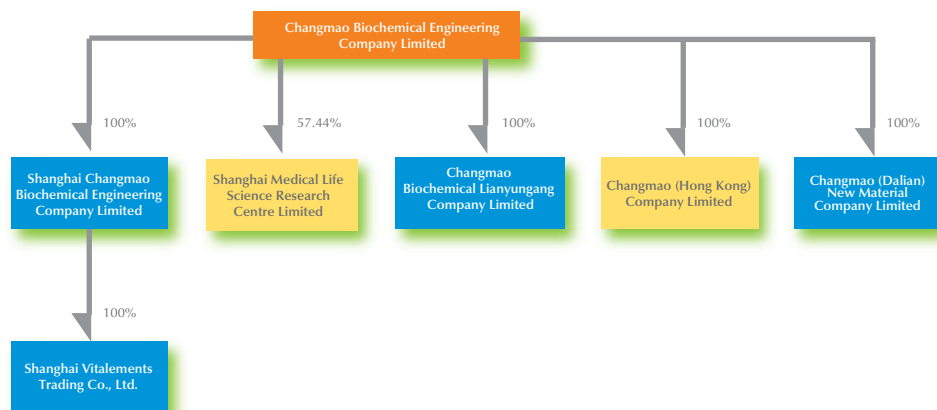


## CORPORATE PROFILE

The Group persists in pursuing advanced technologies as its production direction and focuses in investment in new technology research and development which combines the production process with theoretical concepts. The Group received numerous awards in relation to production technologies including First Prize in Technological Achievement (技術發明一等獎) and Second Prize in Scientific Improvement (科技進步二等獎) in The Petroleum Chemical Industry in China (中國石油化工行業). The Group attained the ISO9001 Quality System Standards, Environmental Management System ISO14001, ISO22000 Food Safety Management System and FSSC22000 Food Safety System Certification. Its core product, L(+)-tartaric acid obtained the Food and Drug Administration (FDA) certificate. The Group's logo  was also recognised as a Famous Trademark in the PRC (中國馳名商標).

The Group's major competitive edge is its delicate and advanced production system. Changmao successfully applied the theoretical concepts of enzyme technology and chirotechnology in its highly efficient and cost effective production process. The Group has two research and development centres, Chirotechnology Centre which is based in Changzhou, and the Shanghai Medical Life Science Research Centre Limited to research on new products and new production technologies. The Group will continue the production of food additives as its core business and develop new nutraceutical products to extend its production chain. The Group believes its strong capability in research and development would enable the Group to continue to grow.

## GROUP STRUCTURE



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Rui Xin Sheng (*Chairman*)  
Mr. Pan Chun (*Chief Executive Officer*)

### NON-EXECUTIVE DIRECTORS

Mr. Zeng Xian Biao  
Mr. Yu Xiao Ping  
Ms. Leng Yi Xin  
Mr. Wang Jian Ping

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Zhi Wei  
Mr. Shu Rong Xin  
Ms. Cheng Mun Wah

### SUPERVISORS NOMINATED BY SHAREHOLDERS

Ms. Rui Li Qin  
Ms. Zhou Rui Juan

### SUPERVISOR NOMINATED BY EMPLOYEES

Mr. Zhang Jun Peng

### COMPANY SECRETARY

Ms. Wan, Pui Ling Alice (CPA)

### AUTHORISED REPRESENTATIVES

Mr. Rui Xin Sheng  
Ms. Wan, Pui Ling Alice (CPA)

### COMPLIANCE OFFICER

Mr. Rui Xin Sheng

### AUDIT COMMITTEE

Mr. Zhou Zhi Wei  
Mr. Shu Rong Xin  
Ms. Cheng Mun Wah\*

### REMUNERATION AND APPRAISAL COMMITTEE

Mr. Rui Xin Sheng  
Mr. Zhou Zhi Wei  
Mr. Shu Rong Xin\*  
Ms. Cheng Mun Wah

### NOMINATION COMMITTEE

Mr. Rui Xin Sheng  
Mr. Zhou Zhi Wei\*  
Mr. Shu Rong Xin  
Ms. Cheng Mun Wah

### LEGAL ADDRESS

No. 1228 Chang Jiang Bei Road  
New North Zone  
Changzhou City  
Jiangsu Province, 213034  
The PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 54, 5/F, New Henry House  
10 Ice House Street  
Central  
Hong Kong

### PRINCIPAL BANKERS

Bank of China  
Industrial and Commercial Bank of China  
Shanghai Pudong Development Bank

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants and  
Registered PIE Auditor*

### COMPANY'S WEBSITE ADDRESS

www.cmbec.com.hk

### STOCK CODE

954

\* *chairman of the relevant committee*



## CHAIRMAN'S STATEMENT

To the shareholders,

On behalf of the Board, I would like to present the Group's full year results and audited consolidated financial statements for the year ended 31 December 2024.

### 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 hard work 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.

## CHAIRMAN'S STATEMENT

### 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.

## CHAIRMAN'S STATEMENT

### 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.



## CHAIRMAN'S STATEMENT

### 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.

## CHAIRMAN'S STATEMENT

### 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.

The long-term and stable development of the Group is inseparable from the strong support of all shareholders. On behalf of the Board, I would like to express my most sincere gratitude to all investors.

**Rui Xin Sheng**  
*Chairman*

The PRC, 28 March 2025

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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 RMB 23,652,000 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 10 to the consolidated financial statements.

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 29 to the consolidated financial statements.

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: 619). 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 increase in average number of staff.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company formulated a staff incentive scheme under which 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.

### 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 Note 33 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 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.



## PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors

**Mr. Rui Xin Sheng (芮新生)**, aged 68, is the chairman of the Board, an executive Director and the compliance officer of the Company. He is a researcher and a senior engineer of the Company. He was one of the founders of the Company in December 1992. He is also the director of Shanghai Life Sci, director and authorised representative of Shanghai Changmao and the director of Changmao (Hong Kong) Company Limited. Mr. Rui graduated from Jiangsu Institute of Technology (江蘇化工學院) with a bachelor degree in organic synthesis in 1982. He obtained an executive master of business administration in the Nanjing University (南京大學) in 2005. He is the vice chairman of the Committee of Biochemical Engineering of the Chemical Industry and Engineering Society of China (中國化工學會生物化工專業委員會), the deputy managing director of the Association of Biochemistry of China (中國生物化工協會), the deputy managing director of Jiangsu Commission of Biotechnology (江蘇省生物技術協會) and a part-time professor at the Nanjing University of Technology (南京工業大學). Owing to his significant achievement in the field of biochemistry, Mr. Rui received numerous awards including the First Class Award of Scientific Development and Technology Improvement in Changzhou (常州市技術改造一等獎) and the Second Prize of Changzhou City Scientific and Technological Achievement (常州市科技進步二等獎) in 1997. The Concurrent Production Technology invented by Mr. Rui, Ms. Leng Yi Xin and Mr. Jiang Jun Jie obtained patent in the PRC in 1998. Other awards obtained by Mr. Rui include the Fourth Annual Excellent Scientists of Changzhou City (常州市第四屆傑出科技人員) in 1999, DuPont Innovation Award and Youth Expert with Excellent Contribution in Jiangsu Province (江蘇省有突出貢獻的中青年專家) in 2000, the First Class Award of State Technological Achievement (國家科技進步一等獎) in 2001, Innovative Entrepreneur of Jiangsu Province (江蘇省創新創業人才獎), the Second Class Award of Petrol Chemical Industry Technological Achievement in the PRC (中國石油化學工業行業科技進步二等獎) in 2003 and the First Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步一等獎) in 2005. Mr. Rui is the spouse of Ms. Leng Yi Xin (a non-executive Director).

**Mr. Pan Chun (潘春)**, aged 55, is an executive Director and the general manager (chief executive officer) of the Company. He is also the director and authorised representative of Lianyungang Changmao and Changmao (Dalian) New Material Company Limited. He obtained a bachelor degree in industrial analysis from the department of applied chemistry of the Nanjing University of Technology (南京工業大學) in 1993. Mr. Pan is recognised as a senior engineer by the Jiangsu Provincial Personnel Department (江蘇省人事廳). Mr. Pan is responsible for the management of production, safety, environment protection, equipment management, purchasing and domestic sales of the Company. Mr. Pan received the First Class Award of Changzhou Technological Achievement (常州市技術改造一等獎) in 1997. Mr. Pan received the First Class Award of Technological Invention (技術發明一等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2003, May 1st Labour Medal of Changzhou City (常州市五一勞動獎章) in 2011 and Model Worker of China Light Industry (中國輕工業勞動模範) in 2012. Mr. Pan joined the Company in August 1993.

## PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS (Continued)

#### Non-executive Directors

**Mr. Zeng Xian Biao (曾憲彪)**, aged 82, is a non-executive Director. Mr. Zeng graduated from Nanjing Petrochemistry School (南京石油工業學校) in 1961. He has extensive experience engaging in research, development and production management in the field of chemistry. Mr. Zeng received various awards including the Golden Prize of Technological Improvement-Maleic Anhydride 2000t/a (順酐2000t/a技改省金牛獎) from the State Economic Commission (國家經濟委員會), Maleic Anhydride 3000t/a Technology Improvement (3000t/a順酐重點技改先進個人), Municipal Contribution Award for the Ninth Five-year Period and the Millennium (市九五跨世紀奉獻獎) and the Second Annual State Award for Technological Development (省第二次合理化建議科技成果獎). Mr. Zeng joined the Company in December 1992.

**Mr. Yu Xiao Ping (虞小平)**, aged 69, is a non-executive Director. Mr. Yu graduated from East China Normal University (華東師範大學) with a bachelor degree in English in 1977. He holds directorships in various pharmaceutical and investment companies in the PRC. Besides his experience in trading of pharmaceutical products, he has experience in promoting and facilitating the inspection and approval from the U.S. Food and Drug Administration for various PRC pharmaceutical products, of which he became the executive agent for these pharmaceutical products and has established a trading business in the United States of America. Mr. Yu joined the Company in December 1992.

**Ms. Leng Yi Xin (冷一欣)**, aged 63, is a non-executive Director. She graduated from the Jiangsu Institute of Technology (江蘇化工學院) with a bachelor degree in organic synthesis in 1982 and subsequently obtained a master degree in chemical engineering from Nanjing University of Technology (南京工業大學) in 1996 and obtained a doctorate in bio-chemical engineering from Nanjing University of Technology in 2005. She is also a professor of the department of chemical engineering of the School of Petrochemical Engineering in Changzhou University (常州大學石油化工學院). Ms. Leng has participated in various research projects and published more than 50 theses. As mentioned above, Ms. Leng is one of the inventors of the Concurrent Production Technology. She obtained the Second Class Award of Technological Invention (技術發明二等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2004. She also obtained the First Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步一等獎) in 2005 and the Third Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步三等獎) in 2010. She is the spouse of Mr. Rui (the chairman of the Board and an executive Director). She joined the Company in June 2001.

**Mr. Wang Jian Ping (王建平)**, aged 63, is a non-executive Director. He graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor of engineering degree in 1983 and subsequently obtained a master of engineering degree from Shanghai Jiao Tong University (上海交通大學) in 1986. Mr. Wang is currently a general manager of Shanghai Technology Entrepreneur Investment Company Limited (上海科技創業投資股份有限公司). Mr. Wang has been a director of the 704 Research Centre of the Seventh Institute of the China Shipping Company (中國船舶總公司七院704研究所) and a visiting scholar of the department of energy in the University of Leeds. Mr. Wang was first appointed as a non-executive Director in June 2007.

## PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS (Continued)

#### Independent non-executive Directors

**Mr. Zhou Zhi Wei (周志偉)**, aged 70, is an independent non-executive Director. He was formerly the Deputy Director and Chief Engineer of Wuxi Building Materials Science Research Institute (無錫市建築材料科學研究所). He graduated from the current Department of Chemistry, Changzhou University with a Bachelor's degree in 1982. He was an engineer, senior engineer, deputy director, and chief engineer respectively at the Wuxi Building Materials Science Research Institute from 1982 to 1996. He served as Deputy General Manager in Wuxi Dayu Coating New Technology Development Co., Ltd. (大愚塗層新技術開發有限公司) from 1996 to 2012. Mr. Zhou was an independent supervisor of the Company from June 2020 to June 2022. Mr. Zhou was appointed as an independent non-executive Director in June 2022.

**Mr. Shu Rong Xin (束榮新)**, aged 71, is an independent non-executive Director. He is an associate researcher (senior engineer). He graduated from Jiangsu Institute of Chemical Technology with a bachelor degree in 1982, and stayed to work at the school afterwards. He served as the deputy director and director of the General Affairs Department of Jiangsu Institute of Chemical Technology from 1984 to 1992. He served as the director of the Jiangsu Petrochemical Bloodline Party Committee Office and the director of the President's Office from 1992 to 1998. He served as Secretary of the Party Branch of the Chemical Engineering Department of Jiangsu Institute of Technology from 1998 to 2002. He served as Executive Dean of Huaide College (Independent College) of Jiangsu Institute of Technology from 2002 to 2007. He served as the director of the Audit Office and the deputy secretary of the Disciplinary Committee of Changzhou University from 2007 to 2013. Mr. Shu was first appointed as an independent non-executive Director in June 2022.

**Ms. Cheng Mun Wah (鄭敏華)**, aged 63, is an independent non-executive Director. She has over 25 years of experience in the field of corporate finance and accounting in Hong Kong. Ms. Cheng holds a bachelor's degree of commerce from the University of Alberta in Canada. Ms. Cheng is currently a managing director of a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. Cheng is a certified public accountant of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Ms. Cheng was first appointed as an independent non-executive Director in July 2022.

## PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SUPERVISORS

#### Supervisors nominated by Shareholders

**Ms. Rui Li Qin (芮麗琴)**, aged 50, is a supervisor. She holds a bachelor's degree and is an engineer. She graduated from Changzhou Chemical School in 1994, majoring in basic organic chemical engineering. She graduated from Changzhou Staff University in 2006, majoring in computer information management. She graduated from Changzhou University in 2015, majoring in pharmaceutical engineering. She served as a technician of the Company from August 1994 to September 2000. Since October 2000, she had been served as the team leader and deputy department chief of quality control, chief of technical quality inspection department, manager representative, vice chairman of the labor union, and medicine quality authoriser of the Company. She has been the head of the technical quality inspection department of the Company from April 2012 to present. She has been the medicine quality authoriser of the Company and the vice chairman of the Company's labor union since 2016. Ms. Rui was first appointed as a Supervisor in June 2022.

**Ms. Zhou Rui Juan (周瑞娟)**, aged 70, is a Supervisor. She is also the supervisor of Shanghai Changmao. She graduated from Changzhou Light Industrial School (常州輕工學校) majoring in corporate management in 1988. Ms. Zhou passed the State Examination for Assistant Accountant in 1997. She was a financial accountant, the vice manager of the labour department and the director of the administrative department of the Company. Ms. Zhou was recognised as an activist of the labour union (工會積極份子) and an advanced worker (先進生產者) of the Company. She joined the Company in January 1993.

#### Supervisor nominated by employees

**Mr. Zhang Jun Peng (張俊朋)**, aged 51, is a Supervisor and the chief officer of the concurrent production line of the Company and an engineer. He graduated from Jiangsu Institute of Petrochemical Technology (江蘇石油化工學院) in 1997 with a bachelor degree in chemical engineering. He was engaged in the continuous improvement and innovation of four-carbon series organic acid and obtained the Second Class Award of Process Innovation & Technological Invention (創新工藝技術發明二等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2004. Mr. Zhang was involved in various projects of the Company in respect of the improvement of production technology and is experienced in the production management of the Company. The concurrent production line led by Mr. Zhang won the championship of "the Cup of Safety and Health" ("安康杯"競賽優勝班組) in China in 2012 from the All-China Federation of Trade Unions (中華全國總工會) and the State Administration of Work Safety of the PRC (國家安全生產監督管理總局). He joined the Company in August 1997.

## PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Pan Chun (潘春)**, whose personal particulars are set out under the paragraph headed “Directors” in this section.

**Mr. Wan Yi Dong (萬屹東)**, aged 51, is the deputy general manager of the Company. Mr. Wan is a senior engineer certified by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳(省人社廳)認定的高級工程師). He graduated from Zhejiang University in 1996 with a bachelor degree in biochemistry. In 2004, he obtained a master degree in business administration from Nanjing University of Science and Technology. He joined the Company in August 1996. He was engaged in the technology advancement of bio-enzyme and immobilised enzyme technology and has been involved in various projects of the Company in respect of improvement in production technology and new technology on new products. Mr. Wan has published various professional articles in professional chemical magazines. He obtained various awards including the 常州市科技進步一等獎 (The First Class Award of Changzhou City Technological Achievement) in 2001 and 中國石油和化學工業協會科技進步二等獎 (The Second Class Award of Petrol Chemical Industry Technological Achievement in the PRC) in 2003. Mr. Wan joined the Company in August 1996.

**Ms. Zhang Qin Ying (張琴英)**, aged 56, is the deputy general manager and financial controller of the Company. She is also the supervisor of Lianyungang Changmao. She is a senior economist. She studied in Finance School of Changzhou (常州財經學校), specializing in financial management in 1999. She has also studied in The Chinese Communist Party School of Jiangsu Province in 2007, specializing in economic management. She has years of strong management experience in finance and labour union. She also serves as the chairman of the Union of Chemical Industry of Changzhou (常州市化工行業工會) and vice-chairman of the Union of Chemical and Light Industry in Changzhou (化輕產業工會). Ms. Zhang joined the Company in September 1993.

**Mr. Huang Huai Zhi (黃淮幟)**, aged 39, is the secretary of the Board. Mr. Huang graduated from East China University of Political Science and Law in 2008 and worked in Jingtian & Gongcheng (Beijing) Attorneys At Law (競天公誠律師事務所) from 2008 to 2013. From 2015 to 2017, he served as the president of Shenzhen Qianhai Tongde Financial Services Co., Ltd (深圳前海同德金融服務有限公司). Mr. Huang joined the company in October 2017.

Save as disclosed above, each of the Directors or Supervisors does not have any relationship with any directors, supervisors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company (within the meaning of the Listing Rules).



## CORPORATE GOVERNANCE REPORT

The Company is committed to the maintaining of a high standard of corporate governance. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

### COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties set out in Appendix C1 of the Listing Rules.

The Company has complied with the code provisions of Corporate Governance Code as set out in part 2 of Appendix C1 to the Listing Rules during the year ended 31 December 2024.

The Company's corporate governance structure includes the Board and the supervisory committee. The Company has also established three committees under the Board, namely the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee. The corporate governance practices adopted by the Company are as follows:

### THE BOARD

The major responsibilities of the Board include the formation of the Group's overall strategies, setting business plans and the supervision of the performance of the management. The Board acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board is also responsible for preparing a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

As at 31 December 2024, the Board comprises two executive Directors, namely, Mr. Rui Xin Sheng (Chairman) and Mr. Pan Chun (General Manager), four non-executive Directors, namely, Mr. Zeng Xian Biao, Mr. Yu Xiao Ping, Ms. Leng Yi Xin and Mr. Wang Jian Ping and three independent non-executive Directors, namely, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin and Ms. Cheng Mun Wah.

The roles of the chairman and chief executive (i.e. general manager) of the Company are separate and exercised by different individuals.



## CORPORATE GOVERNANCE REPORT

The Board meets regularly, and had met 7 times for the year ended 31 December 2024. Attendance of individual members of the Board meeting for the year ended 31 December 2024 is as follows:

	Name of Director	Attended/ Eligible to attend
Executive Directors	Mr. Rui Xin Sheng ( <i>Chairman</i> )	7/7
	Mr. Pan Chun ( <i>General Manager</i> )	7/7
Non-executive Directors	Mr. Zeng Xian Biao	7/7
	Mr. Yu Xiao Ping	7/7
	Ms. Leng Yi Xin	7/7
	Mr. Wang Jian Ping	7/7
Independent Non-executive Directors	Mr. Zhou Zhi Wei	7/7
	Mr. Shu Rong Xin	7/7
	Ms. Cheng Mun Wah	7/7

Save that Ms. Leng Yi Xin is the wife of Mr. Rui Xin Sheng, each of the Directors is independent of other Directors.

### 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 Rules and the Company still considers the independent non-executive Directors remained independent.

### Continuous Professional Development

Directors' training is an ongoing process. During the year, Directors received regular updates and presentations on changes and developments to the Group's business and to environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. All Directors are required to provide the Company with his or her annual training record.

## CORPORATE GOVERNANCE REPORT

The Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

	Directors	Types of training
Executive Directors	Mr. Rui Xin Sheng	B
	Mr. Pan Chun	B
Non-executive Directors	Mr. Zeng Xian Biao	B
	Mr. Yu Xiao Ping	B
	Ms. Leng Yi Xin	B
	Mr. Wang Jian Ping	B
Independent non-executive Directors	Mr. Zhou Zhi Wei	B
	Mr. Shu Rong Xin	B
	Ms. Cheng Mun Wah	A, B

A: attending seminars provided by external parties

B: reading materials in relation to regulatory update

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

#### Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee was established to ensure there are formal and transparent procedures for developing and overseeing the Company's policies on the remuneration of its directors and senior management. As at 31 December 2024, the Remuneration and Appraisal Committee comprises three independent non-executive Directors, namely, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin (chairman of the committee), Ms. Cheng Mun Wah and an executive Director, Mr. Rui Xin Sheng. The Remuneration and Appraisal Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration and Appraisal Committee held one meeting in 2024 among others, to review the remuneration packages of individual executive Directors and senior management, assess the performance of the executive Directors and review the policy for the remuneration of the Directors and how the Group complied with the staff incentive bonus scheme as stated below. The meeting attendance rate of individual members for the year ended 31 December 2024 was as follows:

Name of committee member	Attended/Eligible to attend
Mr. Rui Xin Sheng	1/1
Mr. Zhou Zhi Wei	1/1
Mr. Shu Rong Xin	1/1
Ms. Cheng Mun Wah	1/1

The remunerations of Directors and senior management are based on the skill, knowledge and involvement in the Company's affair of each Director or senior management and are also determined with reference to the performance and profitability of the Group. The Company has formulated a staff incentive bonus scheme. Details of which is set out in the paragraph headed "Employees" under the section headed "Management Discussion and Analysis".

#### Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. As at 31 December 2024, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin and Ms. Cheng Mun Wah (chairman of the committee).

## CORPORATE GOVERNANCE REPORT

The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process and internal control system of the Group, to review the Group's financial information and to review the audit plan, audit findings and independence of the auditors of the Company. The Audit Committee held 4 meetings for the year ended 31 December 2024, two of which were with the attendance of the external auditor. The meeting attendance rate of individual members for the year ended 31 December 2024 was as follows:

Name of committee member	Attended/Eligible to attend
Mr. Zhou Zhi Wei	4/4
Mr. Shu Rong Xin	4/4
Ms. Cheng Mun Wah	4/4

Duties performed by the Audit Committee for the year were as follows:

1. made recommendations to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
2. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussed with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. reviewed the Group's financial information, monitored the integrity of the Group's financial statements and the annual report and accounts and half-year report and reviewed significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee had focused particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit (if any);
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
  - (vii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts;

## CORPORATE GOVERNANCE REPORT

4. reviewed the Group's financial controls and internal controls, among others, by discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system; reviewed the Group's financial and accounting policies and practices; and reported to the Board on the matters in the CG Code.

### Nomination Committee

The Nomination Committee was established to formulate and implement the nomination policy and Board Diversity Policy, nominate candidates of Directors for election by shareholders and to assess the independence of independent non-executive Directors. As at 31 December 2024, the Nomination Committee comprises three independent non-executive Directors, namely, Mr. Zhou Zhi Wei (chairman of the committee), Mr. Shu Rong Xin and Ms. Cheng Mun Wah and an executive Director, Mr. Rui Xin Sheng.

The Nomination Committee held one meeting in 2024 to review the structure, size and composition of the Board and to assess the independence of independent non-executive Directors. The meeting attendance rate of individual members for the year ended 31 December 2024 was as follows:

Name of committee member	Attended/Eligible to attend
Mr. Rui Xin Sheng	1/1
Mr. Zhou Zhi Wei	1/1
Mr. Shu Rong Xin	1/1
Ms. Cheng Mun Wah	1/1

## POLICY FOR NOMINATION OF DIRECTORS

### Procedures for Nomination and Appointments of Directors

Appointments of Directors, being individuals who are suitably qualified and expected to make positive contributions to the performance of the Board. Candidates are first considered by the Nomination Committee and then by the Board. Thereafter, all Directors are subject to election by shareholders at the shareholders' general meeting. A Director may serve consecutive terms if re-elected upon the expiration of the terms.

## CORPORATE GOVERNANCE REPORT

### **Nomination of Candidates for Re-election of Directors**

The nominations shall be made in accordance with the Nomination Policy and the objective criteria (including without but not limited to skills, regional and industry experience, background, race, gender and length of service), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. The Nomination Committee shall also taken into account the performance evaluation for the past years for all the existing Directors who offer themselves for re-election.

Each of Mr. Rui Xin Sheng and Mr. Pan Chun has entered into a service contract with the Company. All the other Directors have not entered into any service contract with the Company. The terms of each Director is not more than three years and will be expired on 17 June 2025.

### **Board Diversity Policy**

The Group has adopted a board diversity policy (the “Board Diversity Policy”). A summary, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

#### *Summary of the Board Diversity Policy and Measurable Objectives*

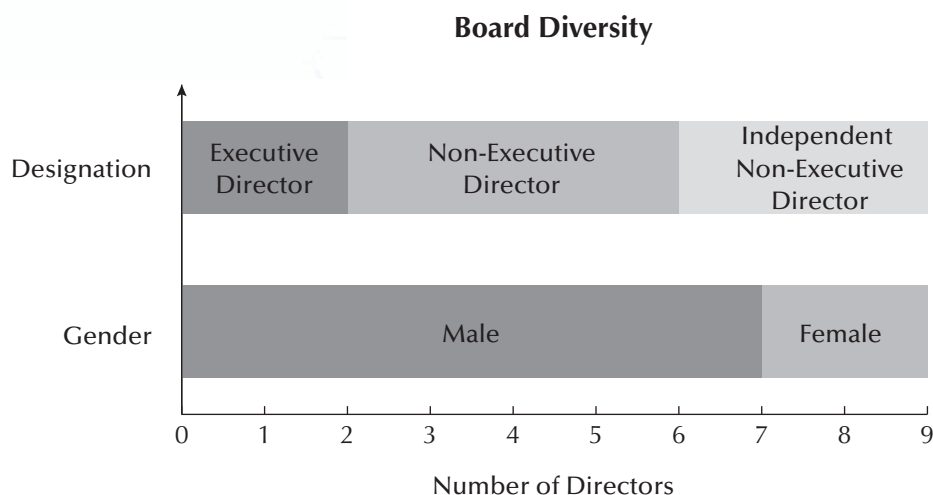
The Company recognises and embraces the benefits of diversity in the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In performing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.



## CORPORATE GOVERNANCE REPORT

### Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually. As at the date of this report, the Board's composition under major diversified perspectives was summarized as follows:



### THE SUPERVISORY COMMITTEE

The supervisory committee is accountable to the general meeting. The primary responsibilities of the supervisory committee include the monitoring of whether the Directors and senior management have, in the performance of their duties, acted in contravention of any laws, administrative regulations, the Articles of Association of the Company or the resolutions passed at general meetings; and the reviewing of the Company's financial information. Supervisors can attend the Board meetings.

As at 31 December 2024, the supervisory committee comprises two supervisors nominated by shareholders, Ms. Rui Li Qin and Ms. Zhou Rui Juan, and a supervisor nominated by employees, Mr. Zhang Jun Peng. No supervisor has entered into any supervisor's service contract with the Company. The terms of each supervisor is not more than three years and will be expired on 17 June 2025.

The supervisory committee held 2 meetings for the year ended 31 December 2024 with attendance rate of 100%.

## CORPORATE GOVERNANCE REPORT

### COMPANY SECRETARY

**Ms. Wan, Pui Ling Alice (温珮玲)** (CPA), is the company secretary of the Company. She is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Wan joined the Company in June 2001. The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, with shareholders and management. She reports to the Board Chairman and the general manager of the Company. The Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2024, which give a true and fair view of the state of affairs of the Group at that date and of the Group's profit and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 60 to 67.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. In 2024, the management have provided a confirmation to the Board on the effectiveness of such systems. The Board also reviewed the Group's risk management and internal control systems, which the Board considers to be adequate and effective in 2024. The level of resources, staff qualifications and experience, training programs and budget of the Company's internal audit and accounting and financial reporting functions were assessed and considered adequate.

## CORPORATE GOVERNANCE REPORT

A risk management committee has been established to ensure that significant risks are identified; assessed by considering the impacts and likelihoods of their occurrence; and effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed. With the assistance of the this committee, the Board continuously monitors the company's risk management framework, reviews the Group's significant risks and emerging risks, and conducts an annual review of the effectiveness of the risk management system. The Board determines the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of risk register setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. It ensures that significant risks are considered by the Board in determining their risk appetite.

A risk management policy has been adopted to serve as a guideline for risk management and internal control systems.

### **Internal audit**

Internal control system shall allow monitoring of the Company's overall financial position; safeguard its assets against major losses and misappropriation; provide reasonable assurance against material fraud and errors; and efficiently monitor and correct non-compliances.

The Company has set up an internal audit department to perform ongoing internal audits to evaluate the proper functioning of the internal control systems of the Group. The Audit Committee, after reviewing and considering the management findings from the internal control review, then reported to the Board of the Company and confirmed to the Board that the internal control systems are effective and adequate.

## CORPORATE GOVERNANCE REPORT

### Inside Information Policy

The Board approved and adopted an Inside Information Policy which contains the guidelines to the Directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling of inside information within the Group.

### AUDITOR'S REMUNERATION

PricewaterhouseCoopers have been re-appointed as the Company's international external auditor by the shareholders at the 2024 annual general meeting. They are primarily responsible for providing audit services in connection with the Company's annual financial statements.

During the year, the remuneration to the external auditor is as follow:

	2024 RMB'000	2023 RMB'000
Auditor's remuneration		
– Audit services	1,368	2,755
– Non-audit services	47	330

### DIVIDEND POLICY

The Company's policy is to provide dividends to shareholders which is linked to the underlying performance of business. The Board considers that it would be prudent and appropriate to target a pay-out ratio of 30% to 70% per cent of the Group's consolidated net profit attributable to the equity holders of the Company. The actual dividend pay-out ratio, however, may cause some deviation from the target, depending on the cash flows and future funding requirements of the Company.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

#### Convening an extraordinary general meeting

Pursuant to Article 61 of the Articles and Associations of the Company, shareholder(s) holding 10% or more of the Company's issued capital that carry voting rights request(s) in writing for the convening of an extraordinary general meeting, the Board shall convene an extraordinary general meeting within 2 months.

#### Procedures for putting forward proposals at shareholders' meeting

Pursuant to Article 63 of the Articles and Associations of the Company, when the Company convenes a shareholders' annual general meeting, shareholder(s) holding 3% or more of the total shares carrying voting rights of the Company are entitled to propose new matters in writing to be considered, and the Company shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the general meeting provided that the proposal is delivered to the Company within 10 working days prior to the date of the general meeting.

#### Procedures for nominating a new Director

Pursuant to Article 97 of the Articles and Associations of the Company, a notice of the intention to propose a person for election as Director and the written notice by such candidate of his/her willingness to accept the nomination shall be given to the Company no less than seven days. The minimum seven-day period of lodgement by the shareholders of notice to nominate a Director shall commence no earlier than the date after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.

#### Communications with Shareholders

The Board always welcome Shareholders' and other stakeholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Room 54, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong.

#### Articles of Association

There was no change to the articles in the Articles of Association of the Company in 2024.

By order of the Board

**Rui Xin Sheng**  
Chairman

The PRC, 28 March 2025

## ENVIRONMENTAL AND SOCIAL REPORT

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board is well aware of the importance of environmental protection on the Group's sustainability and stable development, and at the same time strives to improve product quality while achieving the best balance between cost control and environmental protection. The Group has established an environmental management system based on the actual situation and its factory in Changzhou obtained ISO14001 certification. The Group aims to be a resource-saving and environment-friendly enterprise with low energy and resources consumption and low level of discharge on wastages. The Group promotes clean production, prevents pollution and reduces the risk of environmental accidents. The Group's environment protection department dedicates to strengthen its environmental protection, actively implements environmental policies, vigorously carries out environmental management, and takes energy-saving measures to achieve reduction on pollution. At the same time, the Group also has a full-time environmental protection workshop to treat the wastewater of each production line in a centralised manner and discharges it into the sewage treatment company of the industrial area. In addition, the environmental protection department conducts centralised management and treatment of solid waste and hazardous waste in the production lines, and the production tail gas is collected and put into spray adsorption tower for incineration treatment. Therefore, the Group's business activities have no significant impact on the environment and natural resources.

The Group understands that a global transition to a low-carbon economy is necessary to tackle climate change and create a more sustainable future. In order to cope with the challenges posed by climate change and enhancing its internal driving force for sustainable development, the Group regards energy conservation, emission reduction, low-carbon development and environmental protection as long-term development strategies, and actively promotes and continues to explore and innovate. In order to cope with climate change, the government's requirements for environmental protection and emission indicators have continued to stricken. The Group increased investment in environmental protection, coordinated and organised various departments to actively implement various upgrading and rectification work, and the production site environment was significantly improved.

All of the Group's production is conducted in Mainland China. The Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. Some of these regulations govern the level of fees payable to entities providing environmental protection services and the prescribed standards relating to the discharge of solid wastes, effluent and gases. The Group benefits from specific production technology that enables the Group to effectively control the pollution caused by the production process. At the same time, the Group has installed waste disposal facilities to reduce waste discharge. The Group did not aware of any material violations of the laws and regulations on environmental protection in 2024.

In 2024, the Group's production was carried out in the production plants in Changzhou, Lianyungang and the Dalian. The following discussions and information on the environment include information of the Group's production plants in Changzhou, Lianyungang and Dalian. The Group uses butane to produce maleic anhydride. Greenhouse gas emissions is much less compared to traditional method of production.



## ENVIRONMENTAL AND SOCIAL REPORT

### I. Emissions

As the Group is mainly engaged in production, the following discussion on emissions is mainly related to the emissions from production.

#### (1) Greenhouse gases emission

The Group has carbon dioxide emissions. There are no requirements under the PRC rules and regulations to measure these greenhouse gases. In order to reduce costs and emissions, the Group is using butane as a major raw material for production. Using of butane to produce maleic anhydride instead of using benzene in traditional production method, reduces carbon dioxide emissions. It is cleaner and more environmentally friendly and in line with the international trend of food additive production.

The Group's indirect greenhouse emissions are mainly from electricity and steam consumption. In order to reduce emissions, the Group is committed to ensure the efficient operation of the equipment and the implementation of cleaner production. Hazardous and non-hazardous wastes are mainly disposed of by qualified waste disposal companies for incineration or recycling. The Group's new production plant in Dalian City has commence of operation in the last quarter of 2022 to produce maleic anhydride. In order to reduce steam consumption, the design of the maleic anhydride production line in Dalian factory enables the Group to recycle the steam output during the production process. This not only can reduce greenhouse gas emissions, but also reduce production costs.

## ENVIRONMENTAL AND SOCIAL REPORT

### (2) Waste

The non-hazardous wastes are mainly handed over to other enterprises for comprehensive utilisation. Hazardous wastes are mainly handed over to waste disposal companies for subsequent treatment.

The Group employs independent environmental monitoring companies to measure sewage water quality and noise emissions annually for its plants. The emissions in 2024 are within the limits set by the national standards.

#### Key Performance Indicators

	2024	2023	2022
Amount of waste water in total (in tonnes)	397,666	377,761	339,795
Amount of waste water – Per unit of output (in tonnes/tonne)	6.57	7.37	8.87
Exhaust gas in total (in tonnes)	22	21	1
Exhaust gas – Per unit of output (in tonnes/tonne)	0.00	0.00	0.00
Greenhouse gas emissions in total (in tonnes) (Note)	84,848	91,157	75,007
Greenhouse gas emissions – Per unit of output (in tonnes/tonne) (Note (a))	1.40	1.78	1.96
Hazardous waste produced in total (in tonnes)	169	1,347	1,042
Hazardous waste produced – Per unit of output (in tonnes/tonne)	0.00	0.03	0.03
Non-hazardous waste produced in total (in tonnes)	2,610	1,370	1,591
Non-hazardous waste produced – Per unit of output (in tonnes/tonne)	0.04	0.03	0.04

The increase in some indicators in total in 2023 was because that the Dalian Factory has been operating throughout the year since 2023.

## ENVIRONMENTAL AND SOCIAL REPORT

### Notes:

- (a) The Group converted its greenhouse gas emissions according to GBT32151.10-2015, "Requirements for the Greenhouse Gas Emissions Accounting and Reporting – Part 10: Chemical Production Enterprises (溫室氣體排放核算與報告要求—第10部分：化工生產企業)". It is the sum of direct and indirect greenhouse gas emissions from the Changzhou plant, Dalian plant and Lianyungang plant.

The Group's direct greenhouse gas emissions related to n-butane, the raw material of Changzhou plant, Dalian plant and Lianyungang plant. The amount of greenhouse gas converted the steam sold by the Group has been deducted from the total direct greenhouse gas emissions.

The Group's indirect greenhouse gas emissions related to the emissions from purchase of electricity and heat by the three plants. The calculation of electricity emission factors used from electricity purchased is based on the "Announcement on the Release of 2022 Electricity Carbon Dioxide Emission Factors" (根據國家生態環境部公佈資料《關於發佈2022年電力二氧化碳排放因數的公告》). The calculation of the heat-generating emissions factors of the thermal consumption purchased is based on the "2010 Shanghai Energy Balance Sheet and the GHG inventory compilation data".

## ENVIRONMENTAL AND SOCIAL REPORT

### II. Use of Resources

The Group is committed to reducing energy consumption. In the production process, the Group needs to use energy, including water, electricity and steam.

#### (1) Water

The Changzhou plant of the Group is accredited as a water-saving enterprise in Changzhou City. The Group adopted the municipal policies and plans to use water efficiently and save water usage. The Group clearly understood these directions and adopted effective measures. The Group improved the production equipment, used water-saving technology to achieve the rational use of water resources, the Group has effectively controlled the discharge of recycled water, backwashed water for centralised reuse to achieve water-saving effect.

The Changzhou plant of the Group has passed the assessment and obtained “Water Balance Test Certificate (水量平衡測試合格證)” which indicated that the Group’s water consumption level is reasonable. The Group uses water from local water companies and there is no any issue in sourcing water.

#### (2) Electricity

The Group has effectively used of power resources. The power supply bureau adopts the policy of “top, peak, valley and flat” charging policy, that is, different charges in different periods. Unit charges is the highest in the ‘top period’, and lowest at the ‘valley period’. The Group actively cooperated with the relevant policies to raise the proportion of electricity consumption in the ‘valley and flat period’ to reduce the production costs.

#### (3) Steam

There are two sources of steam, one is purchase from third parties and the other is recovery and recycling of steam generated during the production process. Recycling of steam helps to reduce energy consumption and production costs. In terms of reducing energy consumption, the Group uses recycled steam to drive turbine to drive ventilator in production, reducing costs and increasing efficiency while achieving energy conservation and environmental protection. The maleic anhydride production line designed by the Group can generate steam during the production process. It is more than enough to recycle for its own use, there will be excess steam for selling to the nearby factory. It helps both to reduce steam emissions, and will also bring economic benefits to the Group.

## ENVIRONMENTAL AND SOCIAL REPORT

### (4) *Packaging materials*

There are different types of packaging materials. Packaging materials only accounted for a very small portion production costs. In 2024, packaging materials only accounted for less than 4% of the cost of production.

### Key Performance Indicators

	2024	2023	2022
Electricity consumption in total (in kwh)	71.1 million	68.3 million	48.1 million
Electricity consumption – Per unit of output (in kwh/tonne)	1,173	1,333	1,226
Steam consumption in total (sourcing from outside) (in tonnes)	114,850	132,689	187,193
Steam consumption (sourcing from outside) – Per unit of output (in tonnes/tonne)	1.9	2.59	4.89
Water consumption in total (in tonnes)	603,221	588,195	389,464
Water consumption – Per unit of output (in tonnes/tonne)	9.96	11.48	10.16

## ENVIRONMENTAL AND SOCIAL REPORT

### SOCIAL

#### (I) Employment and Labour Practices

The Group's principle is people-oriented. It continuously improves the working environment and remuneration and to provide a broad developmental platform for the employees to display their individual talents. It has resolutely implemented the relevant national and local government laws and regulations in relation to employment. The Group has established a fine social accountability system, covering all aspects of employment regulations and social welfare. The Group provides its staff with a safe working environment by implementing the safety standard management and its headquarter in Changzhou has accredited as the national "Second Grade Enterprise of Work Safety Standardisation" (安全生產標準化二級企業). The Company has also attained the ISO45001 Occupational Health and Safety Management System (職業健康安全管理體系) in the PRC.

The Group attaches great importance to staff training. The Group provides trainings to staff which are relevant to their duties, including management, regulatory update, environment protection, food safety, team building, etc. The Group also encourages the employees to attend different kinds of colleges and universities courses and trainings to strengthen their academic qualifications which are related to their work duties by providing subsidies to them.

For safety training, all management personnel involved in the production have passed the safety training and assessment of the local government safety production publicity and education centres. The Group's safety director and safety department organise trainings on relevant laws and regulations, safety knowledge, and enterprise management system for the person in charge of safety and head of different production lines each month. The safety department also organises training for staff working in the production lines on safety production and technology operation, techniques on operation of new equipment before commencement of new projects and production with new production technologies.

In addition, pay raise and benefits for employees every year are based on their performance. The Group organised different social activities every year, so that the employees in various positions of different departments of the Group can increase communication and strengthen interaction.

The Group strictly complies with the State Council's regulation on "Provisions on the Prohibition of Using Child Labour" on executing the employment standards, and has established recruitment procedures and measures to ensure that child labour is not employed. All of the Group's employees are Chinese. The Group is not aware of any violation of employment and labour laws and regulations nor any violation of child labour provisions in 2024.



## ENVIRONMENTAL AND SOCIAL REPORT

The followings are key performance indicators in relation to the Group's employment and labour practices:

### Key performance indicators

	2024	2023	2022
<b>Employment</b>			
Number of employees (by gender)			
Male	392	427	347
Female	181	182	150
Including part-time employees	2	4	3
Number of employees (by employment type)			
Management	67	65	83
Production	401	450	324
Sales	32	33	29
Research and development	73	61	61
Number of employees (by age group)			
30 or under	182	197	99
31-50	324	345	349
Over 50	67	67	49
Employee turnover rate (by gender)			
Male	16%	12%	15%
Female	10%	16%	9%
Employee turnover rate (by age group)			
30 or under	21%	20%	25%
31-50	9%	10%	10%
Over 50	19%	10%	13%

## ENVIRONMENTAL AND SOCIAL REPORT

## Key performance indicators (Continued)

	2024	2023	2022
<b>Health and safety indicators</b>			
Number of work-related fatalities (rate)	Nil	Nil	Nil
Lost days due to work injury (rate)	290 days (0.02%)	50 days (0.00%)	50 days (0.01%)
<b>Training</b>			
Training expenses	RMB240,000	RMB415,000	RMB193,000
Percentage of employees trained (by gender)			
Male	99%	98%	98%
Female	97%	95%	94%
Percentage of employees trained (by employment type)			
Senior management	100%	100%	100%
Middle management	97%	97%	100%
General staff	98%	97%	96%
Percentage of employees trained (Overall)	98%	97%	97%
Average training hours completed per employee (by gender)			
Male	74	73	72
Female	68	72	72
Average training hours completed per employee (by employment type)			
Senior management	92	92	69
Middle management	77	87	76
General staff	72	71	72
Average training hours completed per employee (Overall)	72	73	70

## ENVIRONMENTAL AND SOCIAL REPORT

### (II) Operating Practices

#### (1) Supply Chain Management

The Group has more than 100 qualified suppliers. To become qualified suppliers, their samples have to pass the examination, the trial production by the Group and suppliers' assessments. The Group uses as many suppliers as possible that focus on environmental protection. Performance of all suppliers for the previous year would be evaluated by the Group's supply department at the beginning of each year and they can continue as the Group's suppliers after passing the evaluation. The evaluation content includes service, price, quality and safety and environment. Evaluation of new suppliers and subcontractors includes their commitment to social responsibility and performance. The Group has a procurement management systems and has developed a series of procurement control procedures for strict selection of suppliers and control the procurement process. Procurement staff regularly visits suppliers to maintain close contacts and good cooperation relations with them, at the same time, the Group will also pay attention to the environmental factors of the suppliers. The vast majority of the Group's suppliers are located in mainland China.

#### (2) Product Liability

After over 20 years of accumulation, the Group's customers are all over the world. The Group has always focused on maintaining customer relationships. In recent years, the Group has continued to strengthen direct sales to end-users with a closer and long-term customer relation. The Group strictly controls its product safety and quality to maintain quality leadership and ensure customer satisfaction. The Group has met the highest standards in the food safety systems FSSC22000, quality management system ISO9001 and European Feed Additives and Pre-mixtures Quality System (FAMI-QS) certification system. The Group conducts customer satisfaction survey each year to obtain customers' feedback and understand their requirements, as well as serve as an objective assessment to the Group. The Group's customers were satisfied.

The Group has standard procedures to handle customer complaints. There was no material complaints in 2024. The Group has been focusing on product quality, and continuously improving the process to ensure product quality and strengthen brand management to meet potential complaints and ensure proper quality delivery.

The Group has a trademark management system and business ethics code control procedures, and strictly complies with the laws and regulations for protection of intellectual properties.

## ENVIRONMENTAL AND SOCIAL REPORT

The Group has inspection and test control procedures to test the semi-finished products or finished products item by item. Standard procedures are in place to deal with each qualified or non-qualified products. There is a “certificate of analysis” for each finished product to facilitate product traceability. In case a product recall is triggered, the Group initiates a recall procedure, analyses the extent of the food hazard and classifies it, re-examines the products if necessary and makes a recall if needed based on the results of the analysis or examination. The Group would also record the number of products recalled to ensure that unsafe batch of products are fully and promptly recalled and are appropriately processed in accordance with the procedures for handling recalled products. In 2024, the Group has not recalled any sold or shipped products due to safety and health reasons.

The Group also endeavors to ensure the proper use of customer information. The Group has complied with the relevant national laws and regulations and the Group’s internal business ethics control procedures when collecting, processing and using such information in the course of business.

### (3) *Anti-corruption*

The Group has anti-corruption control procedures issued to all employees, and has mechanisms for employees to report problems found. The Group has management system and measures on fund management to prevent money laundering. The Group conducts an internal audit of social responsibilities every year to examine whether there are any bribery, extortion or fraud.

There was no significant risk associated with bribery identified in 2024. There was no concluded legal cases regarding corrupt practices brought against the Group or its employees. There were no confirmed incidents of contract termination or non-renewal of contract with business partners due to embezzlement during the year. During the year, the Group did not receive any reports in relation to corruption.

### (III) **Society**

In terms of participating in social investment, the Group has made donation to the Charity Association in the PRC in 2024.

## REPORT OF THE DIRECTORS

The Directors hereby submits their report together with the audited consolidated financial statements for the year ended 31 December 2024.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are the production and sale of organic acids products. The activities of the subsidiaries are set out in Note 19 to the consolidated financial statements.

An analysis of the Group's revenue for the year by geographic segments is set out in Note 5 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 68.

No interim dividend was declared during the year (2023: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

### DONATIONS

Charitable and other donations made by the Group during the year was RMB50,000 (2023: RMB10,000).

### SHARE ISSUED IN THE YEAR

Details of the shares issued by the Company in the year ended 31 December 2024 are set out in Note 25 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2024, the distributable reserves of the Company were approximately RMB630,029,000 (2023: RMB606,876,000) as reported in the statutory financial statements prepared in accordance with the PRC Generally Accepted Accounting Principles.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC, being the jurisdiction in which the Company was established, which provides the existing shareholders with pre-emptive rights to purchase new shares in any new issue of the Company according to their respective proportion of shareholding.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five years is set out on page 140 of the annual report.

## REPORT OF THE DIRECTORS

### 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.

### DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year were:

#### *Executive Directors*

Mr. Rui Xin Sheng (*Chairman*)

Mr. Pan Chun

#### *Non-executive Directors*

Mr. Zeng Xian Biao

Mr. Yu Xiao Ping

Ms. Leng Yi Xin

Mr. Wang Jian Ping

#### *Independent non-executive Directors*

Mr. Zhou Zhi Wei

Mr. Shu Rong Xin

Ms. Cheng Mun Wah

#### *Supervisors nominated by shareholders*

Ms. Zhou Rui Juan

Ms. Rui Li Qin

#### *Supervisor nominated by employees*

Mr. Zhang Jun Peng



## REPORT OF THE DIRECTORS

### **DIRECTORS AND SUPERVISORS (Continued)**

The terms of each of the Directors and Supervisors will be expired on 17 June 2025. In accordance with Article 97, 116 and 117 of the Company's Articles of Association, Directors and Supervisors nominated by shareholders shall be elected at the shareholders' general meeting for a term of three years. Supervisor who is a representative of employees shall be elected by the employees of the Company for a term of three years. A Director or Supervisor may serve consecutive terms if re-elected upon the expiration of the terms.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

Each of Mr. Rui Xin Sheng and Mr. Pan Chun has entered into a service contract with the Company. All the other Directors and Supervisors have not entered into any service contract with the Company.

Save as above, no Director or Supervisor who is proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

### **DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS**

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director, a Supervisor and a connected party of a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## REPORT OF THE DIRECTORS

### 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, 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	Director	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares	Number of H Shares	Approximate percentage shareholding in the H Shares
			(Note (h))		(Note (i))		(Note (j))
Mr. Rui Xin Sheng	Beneficial owner, interest of spouse and 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	2.05%

## REPORT OF THE DIRECTORS

# 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 (Continued)

## Long positions in shares: (Continued)

		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))
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.

## REPORT OF THE DIRECTORS

### 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 (Continued)

#### Long positions in shares: (Continued)

Notes: (Continued)

- (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.

## REPORT OF THE DIRECTORS

### 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 (Continued)

#### Long positions in shares: (Continued)

Notes: (Continued)

- (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.

## REPORT OF THE DIRECTORS

### 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 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.

### 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 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%	–	–



## REPORT OF THE DIRECTORS

**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 (Continued)**

**Long positions in shares: (Continued)**

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))
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 (Note (a))	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%	–	–

## REPORT OF THE DIRECTORS

### 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 (Continued)

#### Long positions in shares: (Continued)

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 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.

## REPORT OF THE DIRECTORS

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### EMOLUMENT POLICY

Employees are remunerated in accordance with the nature of the job and also on individual merit.

The emoluments of the Directors and Supervisors are determined by the Remuneration and Appraisal Committee, with reference to their respective contribution of time, effort and expertise on the Company's matters.

The Company has adopted a staff incentive bonus scheme, please refer to the paragraph headed "Employees" under the section headed "Management Discussion and Analysis" for details.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

#### Purchases

	2024	2023
– the largest supplier	17%	15%
– five largest suppliers combined	56%	50%

#### Sales

	2024	2023
– the largest customer	4%	6%
– five largest customers combined	15%	15%

At no time during the year have the Directors, Supervisors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

## REPORT OF THE DIRECTORS

### SHARE CAPITAL STRUCTURE

As at 31 December 2024, the category of the issued shares of the Company is as follows:

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

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.
- (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 GEM on 28 June 2002 and the listing of which was transferred from 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.

## REPORT OF THE DIRECTORS

### SHARE CAPITAL STRUCTURE (Continued)

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

As at the date of this report, 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.

### RETIREMENT SCHEMES

Details of the retirement schemes are set out in Notes 38.14 and 13 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### BUSINESS REVIEW

**(a) Business performance and future development**

Discussion on the business performance and future development of the Group is set out in the session headed “Chairman’s Statement” in this Annual Report.

Analysis of the key performance indicators of the Group is set out in the session headed “Management Discussion and Analysis” in this Annual Report.

These discussions form part of the “Report of the Directors”.

**(b) Environmental policies and performance**

Discussions on the environment policies and performance of the Group are set out in the “Environmental and Social Report” in this Annual Report. These discussions form part of the “Report of the Directors”.

**(c) Laws and regulations that have a significant impact on the Company**

The Group is mainly engaged in the production of organic acids products, which are used as food additives, pharmaceutical adjuvant and active pharmaceutical ingredient, etc. Accordingly, the Group is required to comply with relevant laws and regulations on environmental protection. It is also required to comply with the Law of Work Safety, Food Safety Law, Labour Contract Law and Company Law, etc. in the PRC. The H shares of the Company are listed on the Main Board, therefore the Company also needs to comply with the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group did not aware of any material non-compliance with applicable laws and regulations that have a significant impact on the Group for the year ended 31 December 2024.

**(d) Key relationships**

Discussions on the relationships with employees, customers and suppliers of the Group are set out in the “Environmental and Social Report” in this Annual Report. These discussions form part of the “Report of the Directors”.

## REPORT OF THE DIRECTORS

### BUSINESS REVIEW (Continued)

#### (e) Principal risks and uncertainties

Certain significant risks have been identified through the process of risk identification and assessment. A summary on such significant risks of the Group together with the relevant internal control measures or mitigation in place is listed below:

1. *Research and development*

The Group has two research centres. The Group will invest in research and development to improve existing production technologies and develop new production technologies each year. The Group's future prospects will be dependent upon the successful development and commercialisation of products currently under development. Successful development is, however, uncertain. There is also no assurance that a product can receive market acceptance and is competitive in the market. The Group will take into account the prospect of new markets, sales prices and costs of new products before making decision to invest in research and development to control the relevant risks.

2. *Tax relief*

The Group's net profit mainly comes from the company's production base in Changzhou. The Company, qualified as a New and High Technology Enterprise, is entitled to a preferential CIT rate of 15%. If the Company is fail to renew such qualification, there will be a material impact on the Group's profit. The Company continues to actively co-ordinated different departments on monitoring the compliance of requirements on New and High Technology Enterprise qualification and strives to continue to enjoy the relevant tax relief.

3. *Volatility of prices for raw materials*

The Group's main raw material is butane and maleic anhydride, mainly purchased from Chinese suppliers. The price for butane and maleic anhydride are affected by various factors and the Group does not and will not control over those factors. Those factors include the prices of crude oil, global and regional supply and demand for butane, domestic and foreign government regulations, weather conditions and global economic conditions. Any increase in the price of raw materials which cannot be passed on to the Group's customers may adversely affect the Group's business and results of operations.

4. *Competition*

The Group's products are exported overseas and also sold in domestic market. Whether in foreign or domestic market, food additives industry is intensively competitive. Any increase in the level of competition could result in price reduction and erode the Group's market share and gross profit margin. The Group continuously monitors and analyses the competitive situation and market information and makes early estimate to adverse movements and takes corresponding measures. The Group has also taken measures to strengthen the brand, to promote business growth and consolidate the brand's market position. In addition, the Group continues to make improvement on production technologies to reduce production costs and improve product quality so that its products will be more competitive.



## REPORT OF THE DIRECTORS

### BUSINESS REVIEW (Continued)

#### (e) Principal risks and uncertainties (Continued)

5. *Liquidity risk*

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks for banking facilities, if necessary.

6. *Environmental legislation requirements*

The Group's production activities generate waste liquids, gases and solids. The Group has installed waste disposal facilities to reduce waste discharge and reduce the pollution to the environment. However, the relevant government authorities may issue and implement much stricter environmental protection laws and regulations, adopt much stricter environment protection standards. Under such situations, the Group may increase expenses in relation to the environment protection accordingly.

7. *Currency risks*

At present, the PRC implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of Renminbi. 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.

### PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

### AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

**Rui Xin Sheng**  
Chairman

The PRC, 28 March 2025

## REPORT OF THE SUPERVISORY COMMITTEE

To the Shareholders,

During the year ended 31 December 2024, the supervisory committee of Changmao Biochemical Engineering Company Limited (the “Supervisory Committee”), exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of trustworthiness, honestly carried out the duties of supervisors and worked cautiously and diligently, in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company for their accountability to the shareholders.

During the year, the major work performed by the Supervisory Committee included the re-election of the eighth Supervisory Committee, Zhang Jun Peng was elected as the employee representative and Rui Li Qin was appointed as the chairman of the Supervisory Committee. The attendance of the Board meetings; reviewing the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders’ approval at the forthcoming annual general meeting; strictly and effectively monitored that whether the policies and decisions made by the management of the Company had conformed with the state laws and regulations of the PRC and the Articles of Association of the Company or safeguarded the interest of the shareholders. The Supervisory Committee has also reviewed the performance of the Directors, general manager and senior management in the daily operation by various means; seriously examined the Company’s financial affairs and its connected transactions.

After the examination, the Supervisory Committee concluded that:

1. the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders’ approval at the forthcoming annual general meeting are in accordance with the relevant laws and regulations and the Articles of Association of the Company;
2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Directors, general manager and other senior management of the Company have abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees nor contravened any laws and regulations or the Articles of Association of the Company;

## REPORT OF THE SUPERVISORY COMMITTEE

3. the consolidated financial statements of the Group for the year ended 31 December 2024 reflected truly and fairly the operating results and financial position of the Company and its subsidiaries.

The Supervisory Committee takes this opportunity to thank the shareholders, Directors and all the employees of the Company for their supports in the past year!

By order of the Supervisory Committee

**Rui Li Qin**

*Chairman of the Supervisory Committee*

The PRC, 28 March 2025

## INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

### To the Shareholders of Changmao Biochemical Engineering Company Limited

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

### OPINION

#### What we have audited

The consolidated financial statements of Changmao Biochemical Engineering Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 68 to 139, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### 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.

## INDEPENDENT AUDITOR'S REPORT

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### 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.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of sales of goods
- Impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>1. Revenue recognition of sales of goods</p> <p>Refer to Notes 5 to the consolidated financial statements.</p> <p>For the year ended 31 December 2024, revenue from sales of goods amounted to RMB585 million. As detailed in Note 5, the Group manufactures and sells a range of organic acids products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.</p> <p>The focus on the revenue from sales of goods is due to large number of customers involved with goods distributed to many different locations. The amount of sales of goods recognized has a significant impact on the consolidated financial statements. Therefore, we need to deploy significant audit resources to execute the necessary audit procedures.</p>	<p>Our audit procedures in relation to revenue recognition of sales of goods included:</p> <p>We understood, evaluated and validated management's internal controls in relation to the Group's revenue recognition of sales of goods.</p> <p>We understood and evaluated the revenue recognition policy of the Group by obtaining and examining the major sales contracts and contract terms.</p> <p>We conducted testing of revenue on a sampling basis as follows:</p> <ul style="list-style-type: none"> <li>– Examining the supporting documents in relation to revenue of sales of goods, including sales orders, goods delivery notes, customs declarations, bills of lading, customers' acceptance documents and invoices;</li> <li>– Confirming with the selected customers for the balance of trade receivables and contract liabilities on a sampling basis;</li> <li>– Cut off testing of the revenue recorded before and after the balance sheet date by tracing the revenue recognition records to the relevant supporting documents, to assess whether the revenue was recognised in the correct reporting periods.</li> </ul> <p>Based on our work performed, we considered that the revenue recognition of sales of goods can be supported by the audit evidence we have obtained.</p>

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>2. Impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian</p> <p>Refer to Notes 4(a), 16(a) and 38.7 to the consolidated financial statements.</p> <p>As detailed in Note 4(a), property, plant and equipment and construction in progress of Changmao Dalian (New Material) Company Limited ("Changmao Dalian") amounted to RMB567 million as at 31 December 2024. Management of the Group considered impairment indicators on property, plant and equipment and construction in progress in Changmao Dalian and has performed an impairment assessment on these assets for the year ended 31 December 2024. As a result of the impairment assessment, the Group believed the property, plant and equipment and construction in progress of Changmao Dalian has not been impaired as at 31 December 2024.</p> <p>Management conducted an impairment assessment and estimated the recoverable amount of those assets allocated to the cash generating unit ("CGU") based on the higher of its fair value less costs of disposal and value in use ("VIU").</p> <p>The VIU calculation requires management to estimate the future cash flows expected to arise from the CGU, which includes significant assumptions such as discount rate, future selling prices and gross margin.</p>	<p>Our audit procedures in relation to management's impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian included:</p> <p>We obtained an understanding of management's internal control and assessment process for impairment of property, plants and equipment and construction in progress and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias.</p> <p>We understood, evaluated and validated management's internal controls over the impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian.</p> <p>We challenged the appropriateness of management's grouping of assets with the relevant CGU, the appropriateness of the valuation model and the reasonableness of key assumptions adopted.</p>



## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>We focused on auditing the impairment assessment of those property, plant and equipment and construction in progress in Changmao Dalian because the estimation of recoverable amounts are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of property, plant and equipment and construction in progress is considered significant due to the complexity of the valuation model and subjectivity of significant assumptions used.</p>	<p>We involved our in-house valuation experts to assess the appropriateness of the valuation model and the reasonableness of the discount rate adopted by management.</p> <p>We tested the forecasted selling prices and gross margin to market data to corroborate with management's information on a sample basis.</p> <p>We tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the model.</p> <p>Based on our work performed, we considered the significant accounting estimates, the model and key assumptions applied by management in the impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian can be supported by the audit evidence we have obtained.</p>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## INDEPENDENT AUDITOR'S REPORT

The engagement partner on the audit resulting in this independent auditor's report is Lam Wai Nang.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 March 2025

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	584,794	637,078
Cost of sales	8	(568,017)	(611,269)
Gross profit		16,777	25,809
Other income	6	7,945	6,745
Other losses, net	7	(566)	(1,112)
Selling expenses	8	(10,174)	(8,689)
Administrative expenses	8	(70,845)	(74,618)
Impairment losses on financial assets	8	(205)	(183)
Operating loss		(57,068)	(52,048)
Finance income		846	1,051
Finance costs		(11,360)	(7,583)
Finance costs, net	9	(10,514)	(6,532)
Loss before income tax		(67,582)	(58,580)
Income tax expense	10	(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	11	RMB(0.129)	RMB(0.162)

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Patents	15	506	639
Property, plant and equipment	16	604,275	433,394
Construction in progress	16	230,344	339,054
Right-of-use assets	18	90,359	93,411
Investment properties	17	3,424	3,770
Deferred income tax assets	30	220	684
Prepayment	23	8,704	18,289
Other non-current assets		13,133	14,938
		950,965	904,179
<b>Current assets</b>			
Inventories	21	143,354	132,075
Trade and bills receivables	22	63,001	87,937
Other receivables, deposits and prepayments	23	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	24	1,108	1,609
Cash and bank balances	24	57,963	89,554
		298,793	338,317
<b>Total assets</b>		<b>1,249,758</b>	<b>1,242,496</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Share capital	25	52,970	52,970
Reserves	26	530,476	598,718
		583,446	651,688
<b>Non-controlling interests</b>		(107)	(99)
<b>Total equity</b>		<b>583,339</b>	<b>651,589</b>

**CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income	28	40,470	13,584
Lease liabilities	18	419	1,073
Deferred income tax liabilities	30	679	602
Loans from shareholders	31	10,500	—
Bank borrowings	29	9,800	250,410
		61,868	265,669
<b>Current liabilities</b>			
Trade and bills payables	27	28,700	30,771
Contract liabilities, other payables and accruals	28	60,436	51,275
Derivative financial instruments		—	30
Lease liabilities	18	675	959
Bank borrowings	29	514,740	242,203
		604,551	325,238
<b>Total liabilities</b>		666,419	590,907
<b>Total equity and liabilities</b>		1,249,758	1,242,496

The financial statements on pages 68 to 139 were approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

**Rui Xin Sheng**  
Director

**Pan Chun**  
Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Attributable to shareholders of the Company				Non-	Total
		Share capital	Other reserves	Retained earnings	Sub-total	controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		52,970	190,258	535,303	778,531	362	778,893
Loss for the year		–	–	(86,057)	(86,057)	(461)	(86,518)
Other comprehensive income							
– currency translation difference		–	1	–	1	–	1
Final dividend for the year ended 31 December 2022	12	–	–	(40,787)	(40,787)	–	(40,787)
Others	26	–	1,042	(1,042)	–	–	–
<b>Balance at 31 December 2023</b>		<b>52,970</b>	<b>191,301</b>	<b>407,417</b>	<b>651,688</b>	<b>(99)</b>	<b>651,589</b>
Balance at 1 January 2024		52,970	191,301	407,417	651,688	(99)	651,589
Loss for the year		–	–	(68,243)	(68,243)	(8)	(68,251)
Other comprehensive income							
– currency translation difference		–	1	–	1	–	1
Others	26	–	122	(122)	–	–	–
<b>Balance at 31 December 2024</b>		<b>52,970</b>	<b>191,424</b>	<b>339,052</b>	<b>583,446</b>	<b>(107)</b>	<b>583,339</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32(a)	(11,380)	18,325
Interest paid		(21,853)	(15,529)
Income tax recovered/(paid)		916	(5,145)
Net cash used in operating activities		(32,317)	(2,349)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,547)	(1,766)
Proceeds from disposal of property, plant and equipment		525	795
Payments for construction in progress		(61,418)	(137,403)
Proceeds from government grants		30,000	15,000
Interest received		846	1,051
Investment income received		60	217
Net cash used in investing activities		(32,534)	(122,106)
Cash flows from financing activities			
Principal elements of lease payments	32(c)	(946)	(926)
Proceeds from bank borrowings	32(c)	389,637	424,059
Repayment of bank borrowings	32(c)	(366,058)	(226,962)
Proceed from shareholders' loans	32(c)	10,500	–
Dividends paid	32(c)	–	(42,332)
Net cash generated from financing activities		33,133	153,839
Net (decrease)/increase in cash and cash equivalents		(31,718)	29,384
Effect of foreign exchange rate changes		127	177
Cash and cash equivalents at 1 January		89,554	59,993
Cash and cash equivalents at 31 December	24	57,963	89,554

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

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. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2025.

### 2 BASIS OF PREPARATION

The consolidated financial statements of Changmao Biochemical Engineering Company Limited 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.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements is disclosed in Note 4.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 BASIS OF PREPARATION (Continued)

#### Going concern basis (Continued)

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 waiver 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 fulfil 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 meet future operating needs;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 BASIS OF PREPARATION (Continued)

#### Going concern basis (Continued)

- 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 bank 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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 BASIS OF PREPARATION (Continued)

#### Going concern basis (Continued)

- 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;
- 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 BASIS OF PREPARATION (Continued)

#### Going concern basis (Continued)

##### (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)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

##### (a) Foreign exchange risk

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 currency exposures, primarily with respect to United States Dollars ("USD").

Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposures should the need arises. During the year, the Group used forward contracts to hedge, but do not qualify for hedge accounting, its foreign currency exposure in USD.

At 31 December 2024, if Renminbi ("RMB") had weakened/strengthened by 5% against USD with all other variables held constant, post-tax loss for the year would have been approximately RMB1,471,000 (2023: RMB1,961,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, bank deposits and other payables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk

##### (i) Risk Management

The Group's credit risk mainly arises from pledged bank balances, cash and bank balances, trade and bills receivables, other receivables and deposits and financial assets at fair value through other comprehensive income ("FVOCI"). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2024 RMB'000	2023 RMB'000
Trade and bills receivables, other receivables and deposits (excluding non-financial assets)	64,014	89,051
Financial assets at FVOCI	16,602	7,002
Derivative financial instruments	5	–
Pledged bank balances and cash and bank balances (Note 24)	59,071	91,163
<b>Maximum exposure to credit risk</b>	<b>139,692</b>	<b>187,216</b>

The credit period of the majority of the Group's trade receivables is due within 30 to 210 days and largely comprises amounts receivable from corporate customers.

In respect of trade receivables, the Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers, taking into account its financial position, past experience and other factors. The directors consider the Group does not have a significant concentration of credit risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets

The Group has four types of financial assets that are subject to HKFRS 9's expected credit loss model:

- trade and bills receivables;
- other receivables and deposits (excluding non-financial assets);
- financial assets at FVOCI;
- pledged bank balances and cash and bank balances.

##### Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and collectively or individually assessing them for likelihood of recovery.

The Group categorises its trade receivables, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of credit sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Given the track record of regular repayment of trade receivables under the collective assessment, the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomic factors. Therefore, expected credit loss rate of these trade receivables is assessed to be insignificant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

Bills receivables, financial assets at FVOCI and cash at bank

As at 31 December 2024, substantially all of the Group's bank balances are deposited in major financial institutions located in the PRC. Management does not expect any losses from non-performance by these banks. Bills receivables and financial assets at FVOCI are mostly settled by state owned banks or other reputable banks and therefore the management considers that they will not expose the Group to any significant credit risk. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past; therefore, the identified credit loss allowance was also immaterial (2023: same).

Other receivables and deposits

Loss allowance on other receivables and deposits from third parties are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses. The credit loss allowance was immaterial as at 31 December 2024 (2023: same).

##### (c) Liquidity risk

The Group's primary cash requirements have been for construction of Dalian factory and upgrades on property, plant and equipment, repayment on related borrowings and payment for research and development expenses. The Group finances its working capital requirements through funds generated from operations and short-term bank borrowings.

Due to the dynamic nature of the underlying businesses, the Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate lines of funding to meet its liquidity requirements in the short and long term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date):

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
<b>At 31 December 2024</b>				
Trade and bills payables	28,700	–	–	28,700
Other payables	41,608	–	–	41,608
Lease liabilities	708	431	–	1,139
Bank borrowings	323,820	95,472	134,401	553,693
Loans from shareholders	–	–	10,500	10,500
<b>Total</b>	<b>394,836</b>	<b>95,903</b>	<b>144,901</b>	<b>635,640</b>
<b>At 31 December 2023</b>				
Trade and bills payables	30,771	–	–	30,771
Other payables	30,443	–	–	30,443
Lease liabilities	1,023	702	431	2,156
Bank borrowings	257,707	85,644	184,288	527,639
<b>Total</b>	<b>319,944</b>	<b>86,346</b>	<b>184,719</b>	<b>591,009</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (d) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and bank balances, details of which are disclosed in Note 24. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Management intends to draw short-term bank loans so as to increase flexibility in financing.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest-rate risk.

At 31 December 2024, if the interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately RMB418,000 (2023: approximately RMB389,000) higher/lower, mainly as a result of higher/lower interest expense on bank borrowings.

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares from shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the liabilities-to-assets ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain the ratio at a reasonable level.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Capital risk management (Continued)

The liabilities-to-assets ratio at 31 December 2024 and 2023 was as follows:

	2024	2023
Total liabilities (RMB'000)	666,419	590,907
Total assets (RMB'000)	1,249,758	1,242,496
Liabilities-to-assets ratio	53.3%	47.6%

The increase in liabilities-to-assets ratio is mainly due to the increasing bank borrowings for the construction of Dalian factory (Note 29).

#### 3.3 Fair value estimation

##### *Fair value hierarchy*

	31 December 2024 RMB'000	31 December 2023 RMB'000
<b>Level 2</b>		
Foreign exchange swap assets	5	–
Foreign exchange forward contracts liabilities	–	30
<b>Level 3</b>		
Financial assets at fair value through other comprehensive income	16,602	7,002

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Majority of the carrying amount of the Group's financial assets, including cash and bank balances, pledged bank balances, trade and bills receivables, other receivables and deposits, financial assets at FVOCI, and financial liabilities, including trade and bills payables, contract liabilities, other payables, lease liabilities, bank borrowings and loans from shareholders, approximate their fair values due to their short maturities.

The amounts of fair value changes recognised in profit and loss or other comprehensive income for items in level 3 for the year ended 31 December 2024 was insignificant (2023: insignificant).

#### 3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2024 and 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### (a) Impairment of property, plant and equipment and construction in progress

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on higher of fair value less cost of disposal ("FVL COD") or value-in-use ("VIU") calculations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of FVL COD and VIU which is the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in the impairment test included market data used in FVL COD, gross margin and discount rate for preparing cash flow forecast used in VIU calculation. Changing the assumptions selected by management could affect the recoverable amounts in the impairment test and as a result affect the Group's financial position and results of operations.

The property, plant and equipment and construction in progress of Changmao Dalian (New Material) Company Limited ("Changmao Dalian") amounted to RMB566,822,000 as at 31 December 2024. Management has performed impairment assessment on the property, plant and equipment and construction in progress of Changmao Dalian and no impairment provision on the property, plant and equipment and construction in progress of Changmao Dalian was recognised. Details of the impairment assessment of Changmao Dalian is disclosed in Note 16.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

**(a) Impairment of property, plant and equipment and construction in progress (Continued)**

Management has performed impairment assessment on the property, plant and equipment and construction in progress of Changmao Biochemical Lianyungang Company Limited ("Lianyungang Changmao") and recognised an impairment provision of approximately RMB928,000 (2023: RMB38,583,000) on the property, plant and equipment and construction in progress of Changmao Lianyungang.

**(b) Net realisable value of inventories**

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Provisions are made for inventories where events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. In addition, management has assessed the realisability of the inventories and considers that the provision for inventories impairment is adequate and reasonable in the current year.

**(c) Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, with reference to the estimated periods that the Group intends to derive future economic benefits from use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives or residual values are different from previously estimated, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

**(d) Trade and other receivables**

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### (e) Income taxes and deferred tax

The Group is subject to income taxes in Mainland China. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2024 RMB'000	2023 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
	<hr/> 584,794	<hr/> 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) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### 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 increase 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 RMB'000	2023 RMB'000
Sales of products	3,867	5,930

#### Accounting policies of revenue recognition

The Group manufactures and sells a range of organic acids products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sale of goods is based on the price specified in the sales contracts. No element of financing is deemed present as the sales are made within the credit terms, which is consistent with market practice.

Receivable is recognised when the goods are delivered and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Deposit collected from the customers before product delivery is recognised as contract liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 OTHER INCOME

	2024 RMB'000	2023 RMB'000
Government grants (Note (i))	4,501	4,591
Others	3,444	2,154
	<u>7,945</u>	<u>6,745</u>

(i) **Deferral and presentation of government grants**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 7 OTHER LOSSES, NET

	2024 RMB'000	2023 RMB'000
Net 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)	–
	<u>(566)</u>	<u>(1,112)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 EXPENSES BY NATURE

	2024 RMB'000	2023 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) (Note 13)	96,369	89,667
Utilities	75,579	81,887
Impairment loss on property, plant and equipment (Note 16)	661	34,714
Impairment loss on construction in progress (Note 16)	267	3,869
Depreciation of property, plant and equipment (Note 16)	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 (Note 21)	14,693	12,749
Depreciation of right-of-use assets (Note 18)	3,052	3,065
Auditor's remuneration		
– audit services	1,368	2,755
– non-audit services	47	330
Amortisation of patents (Note 15)	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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 FINANCE COSTS, NET

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	21,516	15,876
Interest paid/payable for lease liabilities (Note 18)	80	90
Less: amounts capitalised on qualifying assets* (Note 16(e))	(10,236)	(8,383)
	11,360	7,583
Interest income on bank deposits	(846)	(1,051)
Finance costs, net	10,514	6,532

\* Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 5.30% (2023: 4.50%).

### 10 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 RMB'000	2023 RMB'000
Current income tax	128	3,891
Deferred income tax (Note 30)	541	24,047
	669	27,938

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 INCOME TAX EXPENSE (Continued)

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 RMB'000	2023 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.

### 11 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 RMB68,243,000 (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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 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.

### 13 STAFF COSTS

Staff costs including directors' and supervisors' remuneration are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, wages and related welfare	80,074	71,699
Social security costs	10,660	9,858
Contribution to defined contribution retirement schemes (Note (b))	8,150	8,110
	<hr/> 98,884	<hr/> 89,667

- (a) For the year ended 31 December 2024, the Group recognised staff costs of RMB98,884,000, including expensed staff costs of RMB96,369,000 (Note 8) in the profit or loss and capitalised staff costs of RMB2,515,000 in construction in progress.
- (b) The Group is required to participate in defined contribution retirement schemes organised by the relevant local government authorities for its PRC based employees. Contributions to the retirement schemes are payable at a rate of 16% in 2024 (2023: 16%) of the total salaries and allowances of the PRC based employees, subject to a ceiling, and the Group has no further retirement benefit obligations to all its existing and future retired PRC based employees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 EMOLUMENTS OF SUPERVISORS AND SENIOR MANAGEMENT

- (a) The remuneration of each of the supervisors of the Company for the year ended 31 December 2024 is set out as follows:

	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefit	Retirement benefits contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Zhou Rui Juan	6	–	–	–	–	–	6
Mr. Zhang Jun Peng	6	273	–	–	–	24	303
Ms. Rui Li Qin	15	239	–	–	–	24	278

The remuneration of each of the supervisors of the Company for the year ended 31 December 2023 is set out as follows:

	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefit	Retirement benefits contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Zhou Rui Juan	6	–	–	–	–	–	6
Mr. Zhang Jun Peng	6	313	–	–	–	25	344
Ms. Rui Li Qin	15	262	–	–	–	24	301

None of the supervisors received or will receive any retirement benefits or termination benefits during the financial year (2023: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**14 EMOLUMENTS OF SUPERVISORS AND SENIOR MANAGEMENT**  
(Continued)**(b) Five highest paid individuals**

Among the five highest paid individuals, two (2023: two) of them are directors of the Company and the details of their remuneration are disclosed in Note 37(a). The emoluments of the remaining three highest paid individual are as follows:

	2024 RMB'000	2023 RMB'000
Basic salaries, allowances and benefits in kind	1,729	1,829
Retirement benefit contributions	109	108
	<hr/> 1,838	<hr/> 1,937

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Emolument bands (in Hong Kong dollars)		
Nil to HK\$1,000,000	<hr/> 3	<hr/> 3

**(c) Senior management remuneration by band**

Save as disclosed in Note 14(b) above, all senior management are not directors nor supervisors, all senior management's emolument fell within the band of nil to HK\$1,000,000. (2023: the same).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 PATENTS

	2024 RMB'000	2023 RMB'000
Net book amount, at 1 January	639	773
Amortisation charge (Note 8)	(133)	(134)
Net book amount, at 31 December	506	639
	2024 RMB'000	2023 RMB'000
At cost	12,405	12,405
Accumulated amortisation	(11,899)	(11,766)
Net book amount, at 31 December	506	639

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Total RMB'000
<b>At 1 January 2023</b>				
Cost	273,770	438,646	43,958	756,374
Accumulated depreciation and impairment	(74,343)	(222,882)	(31,657)	(328,882)
Net book amount	199,427	215,764	12,301	427,492
<b>Year ended 31 December 2023</b>				
Opening net book amount	199,427	215,764	12,301	427,492
Additions	110	1,089	566	1,765
Transfer from construction in progress (Note (c))	15,638	60,530	2,739	78,907
Other disposals	–	(1,842)	(90)	(1,932)
Depreciation	(12,140)	(23,288)	(2,696)	(38,124)
Impairment loss (Note (a))	(21,672)	(12,800)	(242)	(34,714)
Closing net book amount	181,363	239,453	12,578	433,394
<b>At 31 December 2023</b>				
Cost	289,518	496,745	47,110	833,373
Accumulated depreciation and impairment	(108,155)	(257,292)	(34,532)	(399,979)
Net book amount	181,363	239,453	12,578	433,394
<b>Year ended 31 December 2024</b>				
Opening net book amount	181,363	239,453	12,578	433,394
Additions	–	808	1,739	2,547
Transfer from construction in progress (Note (c))	115,043	94,807	1,438	211,288
Other disposals	(40)	(1,875)	(65)	(1,980)
Depreciation	(14,069)	(23,377)	(2,867)	(40,313)
Impairment loss (Note (a))	–	(661)	–	(661)
Closing net book amount	282,297	309,155	12,823	604,275
<b>At 31 December 2024</b>				
Cost	401,756	591,962	48,953	1,042,671
Accumulated depreciation and impairment	(119,459)	(282,807)	(36,130)	(438,396)
Net book amount	282,297	309,155	12,823	604,275

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

For the year ended 31 December 2024, depreciation expense of RMB33,559,000 (2023: RMB31,175,000) and RMB6,721,000 (2023: RMB6,347,000) were charged in “cost of sales” and “administrative expenses”, RMB33,000 (2023: RMB602,000) was accounted for in “construction in progress”.

#### (a) Provision for impairment

According to the accounting policies stated in Note 38.7 and critical accounting estimates and judgements stated in Note 4(a), the Group performed impairment testing on property, plant and equipment and construction in progress of Changmao Dalian and Lianyungang Changmao with impairment indicators. No impairment was recognised for those assets of Changmao Dalian and impairment charge of RMB661,000 (2023: RMB34,714,000) and RMB267,000 (2023: RMB3,869,000) (Note 16 (c)) was recognised on property, plant and equipment and construction in progress, respectively, for Lianyungang Changmao for the year ended 31 December 2024. Impairment provisions on property, plant and equipment and construction in progress of RMB928,000 (2023: RMB38,549,000) and nil (2023: RMB34,000) were charged in “cost of sales” and “administrative expenses”, respectively, for the year ended 31 December 2024.

Management conducted an impairment assessment and assessed the recoverable amounts of property, plant and equipment and construction in progress of Changmao Dalian allocated to one cash generating unit (“CGU”), which is the higher of FVLCD and VIU. In determining the FVLCD, management leveraged their knowledge of subject assets and via considered available information. FVLCD is a level 3 fair value measurement. VIU is determined using cash flow projections based on financial forecast covering a fourteen-year period prepared by management. A fourteen-year forecast for Changmao Dalian is considered appropriate for chemical products industry, taking into account the expected industry operating cycle and useful lives of the relevant assets. The key assumptions include gross margin and discount rates applied to future cash flows. Selling prices are estimated with reference to the orders on hand, historical market price and inflation. Gross margin is estimated based on the aforementioned selling price and the cost of key raw materials and related expenses with reference to the historical data and inflation. The pre-tax discount rate used in the 2024 impairment assessment was 16.7%. For the purpose of sensitivity analysis, if the gross margin is reduced by 1% or the discount rate is increased by 1%, the Group would not recognise any impairment provision of this CGU.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**16 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)****(b) Depreciation methods and useful lives**

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their estimated residual values over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	5-15 years
Equipment and motor vehicles	5 years

See Note 38.4 for the other accounting policies relevant to property, plant and equipment.

**(c) Construction in progress**

	2024 RMB'000	2023 RMB'000
At 1 January	339,054	250,544
Additions	104,014	171,286
Transfer to property, plant and equipment	(211,288)	(78,907)
Impairment loss (Note 16(a))	(267)	(3,869)
Disposal	(1,169)	–
At 31 December	230,344	339,054

**(d)** As at 31 December 2024, certain bank borrowings (Note 29) in Dalian factory were secured by the property, plant and equipment of Changmao Dalian.

**(e)** During the year ended 31 December 2024, borrowing costs of RMB10,236,000 (2023: RMB8,383,000) were capitalised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
At 1 January	3,770	4,128
Depreciation	(346)	(358)
At 31 December	3,424	3,770

## (a) Amount recognised in the profit and loss for investment properties:

	2024 RMB'000	2023 RMB'000
Direct operating expenses from property that generated rental income	346	358

## (b) Fair value

	2024 RMB'000	2023 RMB'000
At 31 December	39,753	49,909

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 LEASE

This note provides information for leases where the Group is a lessee.

The Group's right-of-use assets and lease liabilities mainly arise from lease of four land use rights located in Mainland China with typically lease terms of 50 years and an office premises. The lease agreements do not impose any covenants, but the land use right of Changmao Dalian was used as collateral for bank facilities/borrowing (Note 29) in Dalian factory.

(i) **Amounts recognised in the consolidated balance sheet**

The consolidated balance sheet shows the following amounts relating to leases:

	2024 RMB'000	2023 RMB'000
<b>Right-of-use assets</b>		
Land use rights	89,028	91,138
Office premises	1,331	2,273
	<hr/>	<hr/>
	90,359	93,411
<b>Lease liabilities</b>		
Current	675	959
Non-current	419	1,073
	<hr/>	<hr/>
	1,094	2,032

Additions to right-of-use assets during the 2024 financial year was nil (2023: RMB1,090,000).

(ii) **Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts relating to leases:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets (Note 8)	3,052	3,065
Interest expense (included in finance cost) (Note 9)	80	90

The total cash outflow for leases in 2024 was RMB1,026,000 (2023: RMB1,016,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2024 are as follows:

Name	Place of establishment, operations and kind of legal entity	Particulars of registered and paid up capital	Interest directly held	Interest indirectly held	Principal activities
上海常茂生物化學工程有限公司 (Shanghai Changmao Biochemical Engineering Company Limited)	PRC, limited liability company	RMB20,000,000	100%	–	Trading of organic acids products and property holding
上海醫學生命科學研究中心有限公司 (Shanghai Medical Life Science Research Centre Limited) (Note (a))	PRC, limited liability company	RMB15,384,600	57.44%	–	Research and development of medicine and nutraceutical products
常茂生物連雲港有限公司 (Changmao Biochemical Lianyungang Company Limited)	PRC, limited liability company	RMB50,000,000	100%	–	Sales and production of organic acids products
Changmao (Hong Kong) Company Limited	Hong Kong, limited company	HKD1	100%	–	Trading of organic acids products
維萌(上海)商貿有限公司 (Shanghai Vitalements Trading Co., Ltd.)	PRC, limited liability company	Registered capital: RMB1,000,000 Paid up capital: RMB2,000	–	100%	General trading
常茂(大連)新材料有限公司 (Changmao (Dalian) New Material Company Limited)	PRC, limited liability company	RMB300,000,000	100%	–	Manufacturing and sales of organic acid products

Note (a): No summarised financial information of Shanghai Medical Life Science Research Centre Limited is presented as the non-controlling interest is not material to the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

	2024 RMB'000	2023 RMB'000
<b>Financial assets</b>		
<i>Financial assets at amortised cost</i>		
Trade and bills receivables	63,001	87,937
Other receivables and deposits (excluding non-financial assets)	1,013	1,114
Pledged bank balances	1,108	1,609
Cash and bank balances	57,963	89,554
<i>Financial asset at fair value through profit or loss</i>		
Derivative financial instruments	5	–
<i>Financial assets at fair value through other comprehensive income</i>	16,602	7,002
<b>Total</b>	<b>139,692</b>	<b>187,216</b>
	2024 RMB'000	2023 RMB'000
<b>Financial liabilities</b>		
<i>Financial liabilities at amortised cost</i>		
Bank borrowings	524,540	492,613
Trade and bills payables	28,700	30,771
Other payables (excluding non-financial liabilities)	41,608	30,443
Lease liabilities	1,094	2,032
Loans from shareholders	10,500	–
<i>Financial liabilities at fair value through profit or loss</i>		
Derivative financial instruments	–	30
<b>Total</b>	<b>606,442</b>	<b>555,889</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	18,799	16,126
Work-in-progress	24,343	27,091
Finished goods	100,212	88,858
	<hr/>	<hr/>
	143,354	132,075

**(i) Assigning costs to inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditures. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**(ii) Amounts recognised in profit or loss**

As at 31 December 2024, provision for impairment of inventories amounted to RMB21,079,000 (2023: RMB18,150,000).

Write-downs of inventories to net realisable value amounted to RMB14,693,000 (2023: RMB12,749,000). These were recognised as cost of sales during the year ended 31 December 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 TRADE AND BILLS RECEIVABLES

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

- (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 RMB'000	2023 RMB'000
0 to 3 months	40,841	62,680
4 to 6 months	3,216	4,611
Over 6 months	85	95
	<u>44,142</u>	<u>67,386</u>
Less: Loss allowance (Note 3.1)	(1,132)	(927)
	<u>43,010</u>	<u>66,459</u>

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. They are generally due for settlement within 30-210 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a description of the Group's impairment policies.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 TRADE AND BILLS RECEIVABLES (Continued)

#### (c) Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the allowance.

Information about the impairment of trade receivables and the Group's exposure to foreign exchange risk and credit risk can be found in Note 3.1.

The closing loss allowances for all trade receivables reconcile to the opening loss allowances are as follows:

	RMB'000
Loss allowance as at 1 January 2023	744
Provision for loss allowance for trade receivables	183
Loss allowance as at 31 December 2023	927
Provision for loss allowance for trade receivables	205
Loss allowance as at 31 December 2024	1,132

#### (d) The carrying amounts of trade and bills receivables approximate their fair values and are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	29,786	51,441
USD	33,215	36,496
	63,001	87,937

#### (e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayments and deposits	14,053	24,562
Value-added tax receivables	8,944	10,255
Other receivables	1,013	1,114
	24,010	35,931
Less: Non-current portion		
Prepayments for property, plants and equipment	(8,704)	(18,289)
Current portion	15,306	17,642

### 24 PLEDGED BANK BALANCES AND CASH AND BANK BALANCES

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents	57,963	89,554
Pledged bank balances	1,108	1,609
Total	59,071	91,163
	2024 RMB'000	2023 RMB'000
Denominated in:		
– RMB	52,968	80,099
– USD	5,748	10,688
– HKD	355	376
	59,071	91,163

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The conversion of RMB 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.

Bank balances of RMB1,108,000 (2023: RMB1,609,000) mainly have been pledged to a bank to secure the Group's bills financing facilities (2023: secure payment of wages of the construction workers of the Group's Dalian factory).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 SHARE CAPITAL

Registered, issued and fully paid:

	Share capital	
	Number of shares at RMB0.10 each	Nominal Value RMB'000
At 31 December 2024 and 2023	529,700,000	52,970

As at 31 December 2024 and 2023, the share capital of the Company comprised 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 THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 RESERVES

	Share premium RMB'000	Statutory common reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	102,559	87,233	461	5	–	535,303	725,561
Loss for the year	–	–	–	–	–	(86,057)	(86,057)
Other comprehensive income – currency translation difference	–	–	–	1	–	–	1
Final dividend for the year ended 31 December 2022	–	–	–	–	–	(40,787)	(40,787)
Others	–	–	–	–	1,042	(1,042)	–
At 31 December 2023	102,559	87,233	461	6	1,042	407,417	598,718
	Share Premium RMB'000	Statutory common reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	102,559	87,233	461	6	1,042	407,417	598,718
Loss for the year	–	–	–	–	–	(68,243)	(68,243)
Other comprehensive income – currency translation difference	–	–	–	1	–	–	1
Others	–	–	–	–	122	(122)	–
At 31 December 2024	102,559	87,233	461	7	1,164	339,052	530,476

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 RESERVES (Continued)

#### Statutory common reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its profit after tax, as determined in accordance with the PRC accounting rules and regulations, to statutory common reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory common reserve can be used to make good previous years' losses, if any, to expand the business operations of the Company and may be converted into share capital by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital of the Company.

### 27 TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 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 RMB'000	2023 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Construction payables	32,523	22,791
Provision for demolition costs	3,213	3,513
Contract liabilities	5,117	4,393
Payroll and welfare payables	5,964	9,435
Other tax payables	1,540	2,162
Payables to transportation charges	3,035	1,458
Deferred government subsidy	42,868	14,352
Others	6,646	6,755
	100,906	64,859
Less: Non-current portion		
Deferred government subsidy	(40,470)	(13,584)
Current portion	60,436	51,275

## 29 BANK BORROWINGS

	2024			2023		
	Current RMB'000	Non- current RMB'000	Total RMB'000	Current RMB'000	Non- current RMB'000	Total 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, the Group's bank borrowings are repayable as follows:

	2024 RMB'000	2023 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 BANK BORROWINGS (Continued)

- (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 2 to the consolidated financial statements, 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 covenant. The Company has accordingly considered that the repayment for these bank borrowings would follow the original repayment schedule as set out as 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 the Subsidiary to fulfil 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
	<hr/> 282,634

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 BANK BORROWINGS (Continued)

- (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%).

### 30 DEFERRED INCOME TAX

The balance of deferred tax assets comprises temporary differences attributable to:

	2024 RMB'000	2023 RMB'000
Provision	1,746	2,379
Lease liabilities	164	305
Deferred income	3	6
Total deferred tax assets	1,913	2,690
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,693)	(2,006)
	220	684

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred income and others RMB'000	Provisions RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	12	3,805	23,167	321	27,305
Charged to the consolidated statement of comprehensive income	(6)	(1,426)	(23,167)	(16)	(24,615)
At 31 December 2023	6	2,379	–	305	2,690
Charged to the consolidated statement of comprehensive income	(3)	(633)	–	(141)	(777)
At 31 December 2024	3	1,746	–	164	1,913

The balance of deferred tax liabilities comprises temporary differences attributable to:

	2024 RMB'000	2023 RMB'000
Accelerated tax depreciation	2,133	2,206
Right-of-use assets	200	341
Fair value gain on patent	39	61
Total deferred tax liabilities	2,372	2,608
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,693)	(2,006)
	679	602



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax liabilities during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation RMB'000	Fair value gain on patents RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	2,774	81	321	3,176
(Credited)/charged to the consolidated statement of comprehensive income	(568)	(20)	20	(568)
At 31 December 2023	2,206	61	341	2,608
Credited to the consolidated statement of comprehensive income	(73)	(22)	(141)	(236)
At 31 December 2024	2,133	39	200	2,372

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 DEFERRED INCOME TAX (Continued)

Deferred income tax assets of tax loss are recognised when the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB65,320,000 (2023: RMB54,886,000) in respect of losses amounting to approximately RMB261,280,000 (2023: RMB219,545,000) that can be carried forward against future taxable income. The unrecognised tax losses will expire in the following years:

	2024 RMB'000	2023 RMB'000
2024	–	2,174
2025	1,470	1,470
2026	3,800	3,800
2027	23,191	23,191
2028	57,597	77,890
2029	62,628	28,251
2030	24,999	24,999
2031	26,917	26,917
2032	11,353	11,353
2033	27,266	19,500
2034	22,059	–
	<hr/>	<hr/>
	261,280	219,545

The Group had no unrecognised deferred income tax liabilities as at 31 December 2024 (2023: Nil).

### 31 LOANS FROM SHAREHOLDERS

The loans from shareholders are interest free, unsecured and repayable between 2 to 5 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of profit before income tax to net cash generated from operations

	2024	2023
	RMB'000	RMB'000
Loss before income tax	(67,582)	(58,580)
Adjustments for:		
Interest income	(846)	(1,051)
Investment income	(60)	(191)
Interest expense	11,360	7,583
Net exchange difference	(117)	1,352
Fair value gain on derivative financial instruments	(104)	(188)
Amortisation of patents	133	134
Amortisation of other non-current assets	1,805	1,666
Amortisation of government grants related to assets	(1,483)	(706)
Depreciation of property, plant and equipment	40,280	37,522
Depreciation of right-of-use assets	3,052	3,065
Depreciation of investment property	346	358
Loss on disposal of property, plant and equipment and construction in progress	2,623	1,137
Loss allowance on financial assets	205	183
Provision for inventories to net realisable value	14,693	12,749
Impairment for non-financial assets	928	38,583
	5,233	43,616
Changes in working capital:		
(Increase)/decrease in inventories	(25,972)	16,088
Decrease in pledged bank balances	501	10,735
Decrease in trade and bills receivables, other receivables, deposits and prepayments	4,456	2,209
Increase/(decrease) in trade and bills payables, contract liabilities, other payables and accruals	4,402	(48,707)
Increase in other non-current assets	–	(5,616)
Cash (used in)/generated from operations	(11,380)	18,325

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS  
(Continued)

## (b) Non-cash investing activities

	2024 RMB'000	2023 RMB'000
Purchase of property, plant and equipment and payments for construction in progress through bills receivables	13,010	16,620

Non-cash transaction of acquisition of right-of-use assets during the 2024 financial year was disclosed in Note 18(i).

## (c) Analysis of changes in financing activities during the year

	Lease liabilities		Bank borrowings		Shareholders' loans		Dividends payable	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
At 1 January	2,032	1,887	492,613	289,615	-	-	-	-
Financing cash flows								
- New borrowings	-	-	389,637	424,059	10,500	-	-	-
- Repayment of principals	(946)	(926)	(366,058)	(226,962)	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-	(42,332)
New leases	-	1,090	-	-	-	-	-	-
Other Changes								
- Interest expenses	80	90	-	-	-	-	-	-
- Interest paid (presented as operating cash flows)	(80)	(90)	-	-	-	-	-	-
- Foreign exchange adjustments	8	(19)	-	-	-	-	-	1,545
- Final dividend declared	-	-	-	-	-	-	-	40,787
- Others	-	-	8,348	5,901	-	-	-	-
At 31 December	1,094	2,032	524,540	492,613	10,500	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 COMMITMENTS

Capital commitments for property, plant and equipment are as follows:

	2024 RMB'000	2023 RMB'000
Contracted but not provided for	34,719	86,586

### 34 RELATED PARTY TRANSACTIONS

#### (a) Key management compensation

	2024 RMB'000	2023 RMB'000
Salaries and other short-term employee benefits	1,461	1,453
Retirement benefit contributions	46	46
	1,507	1,499

#### (b) Balance of related parties

	2024 RMB'000	2023 RMB'000
Loans form shareholders (Note 31)		
Mr. Rui Xin Sheng	7,300	–
Hong Kong Xinsheng Pioneer Investment Company Limited	3,200	–
	10,500	–
Other Payables		
Hong Kong Xinsheng Pioneer Investment Company Limited	232	227

Hong Kong Xinsheng Pioneer Investment Company Limited is the beneficial owner of the Company.

Note: The transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

### 35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from 31 December 2024 to the approval date of these financial statements by the Board of Directors on 28 March 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

## BALANCE SHEET OF THE COMPANY

AS AT 31 December 2024

	2024 RMB'000	2023 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Patents	352	401
Property, plant and equipment	229,965	201,705
Right-of-use assets	5,377	6,464
Construction in progress	3,391	32,519
Investments in subsidiaries	397,356	397,356
Deferred income tax assets	220	684
Prepayments	646	1,397
	637,307	640,526
<b>Current assets</b>		
Inventories	97,431	106,380
Trade and bills receivables	56,890	83,330
Other receivables, deposits and prepayments	10,243	5,609
Amounts due from subsidiaries	180,017	62,814
Loans to a subsidiary	143,811	132,811
Income tax recoverable	1,454	2,498
Financial assets at fair value through other comprehensive income	15,287	5,679
Derivative financial instruments	5	—
Pledged bank balances	1,108	—
Cash and bank balances	55,135	74,885
	561,381	474,006
<b>Total assets</b>	<b>1,198,688</b>	<b>1,114,532</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's shareholders</b>		
Share capital	52,970	52,970
Reserves	Note (a) 840,731	817,885
<b>Total equity</b>	<b>893,701</b>	<b>870,855</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY  
(Continued)

## BALANCE SHEET OF THE COMPANY (Continued)

AS AT 31 December 2024

	2024 RMB'000	2023 RMB'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income	3	21
Lease liabilities	419	1,073
Loans from shareholders	10,500	–
Bank borrowings	9,800	–
	20,722	1,094
<b>Current liabilities</b>		
Trade and bills payables	23,790	25,706
Contract liabilities, other payables and accruals	27,694	28,335
Derivative financial instruments	–	30
Lease liabilities	675	959
Bank borrowings	232,106	187,553
	284,265	242,583
<b>Total liabilities</b>	304,987	243,677
<b>Total equity and liabilities</b>	1,198,688	1,114,532

The balance sheet of the Company was approved by the Board of Directors on 28 March 2025 and was signed on its behalf.

Rui Xin Sheng  
Director

Pan Chun  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY  
(Continued)

Note (a) Reserve movement of the Company

	Share premium RMB'000	Statutory common reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	102,559	87,233	–	623,181	812,973
Profit and total comprehensive income for the year	–	–	–	45,699	45,699
Final dividend for the year ended 31 December 2022	–	–	–	(40,787)	(40,787)
Others	–	–	547	(547)	–
At 31 December 2023	102,559	87,233	547	627,546	817,885
	Share premium RMB'000	Statutory common reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	102,559	87,233	547	627,546	817,885
Profit and total comprehensive income for the year	–	–	–	22,846	22,846
Others	–	–	(306)	306	–
At 31 December 2024	102,559	87,233	241	650,698	840,731



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 BENEFITS AND INTERESTS OF DIRECTORS

## (a) Directors' and chief executive's emoluments

The remuneration of each of the directors and chief executive officers of the Company for the year ended 31 December 2024 is set out as follows:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
<i>Executive director</i>							
Mr. Rui Xin Sheng	320	480	–	–	–	–	800
Mr. Pan Chun (Note (i))	100	561	–	–	–	46	707
<i>Non-executive director</i>							
Mr. Zeng Xian Biao	60	–	–	–	–	–	60
Mr. Yu Xiao Ping	60	–	–	–	–	–	60
Ms. Leng Yi Xin	60	–	–	–	–	–	60
Mr. Wang Jian Ping	60	–	–	–	–	–	60
<i>Independent non-executive director</i>							
Mr. Zhou Zhi Wei	80	–	–	–	–	–	80
Mr. Shu Rong Xin	80	–	–	–	–	–	80
Ms. Cheng Min Wah	80	–	–	–	–	–	80

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)****(a) Directors' and chief executive's emoluments (Continued)**

The remuneration of each of the directors and chief executive officers of the Company for the year ended 31 December 2023 is set out as follows:

Name of Director	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive director</i>							
Mr. Rui Xin Sheng	320	480	-	-	-	-	800
Mr. Pan Chun (Note (i))	100	553	-	-	-	46	699
<i>Non-executive director</i>							
Mr. Zeng Xian Biao	60	-	-	-	-	-	60
Mr. Yu Xiao Ping	60	-	-	-	-	-	60
Ms. Leng Yi Xin	60	-	-	-	-	-	60
Mr. Wang Jian Ping	60	-	-	-	-	-	60
<i>Independent non-executive director</i>							
Mr. Zhou Zhi Wei	80	-	-	-	-	-	80
Mr. Shu Rong Xin	80	-	-	-	-	-	80
Ms. Cheng Min Wah	80	-	-	-	-	-	80

Note:

(i) Mr. Pan is also the chief executive officer of the Company.

**(b) Directors' retirement benefits and termination benefits**

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2023: Nil).

**(c) Consideration provided to third parties for making available directors' services**

During the year ended 31 December 2024, the Company did not pay consideration to any third parties for making available directors' services (2023: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

As at 31 December 2024, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2023: Nil).

**(e) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: Nil).

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES

This note provides a list of other material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

#### 38.1 Subsidiaries

**(a) Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.1 Subsidiaries (Continued)

##### (a) Consolidation (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.1 Subsidiaries (Continued)

##### (a) *Consolidation (Continued)*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### (b) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Costs include direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 38.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.3 Foreign currency translation

##### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

##### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other (losses)/gains, net".

##### (c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.3 Foreign currency translation (Continued)

##### (d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

#### 38.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 38.7).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.5 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at historical costs less accumulated depreciation and accumulated impairment charges.

Historical costs include expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 years. Investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties' carrying amounts are written down immediately to their recoverable amounts if their carrying amounts are greater than their estimated recoverable amounts.

#### 38.6 Construction in process

Construction in progress is stated at cost, which comprises construction costs, purchase costs, interest and other direct costs incurred in connection with the construction of buildings, plant and machinery for own use, less accumulated impairment losses, if any.

No depreciation is provided for in respect of construction in progress until the construction and installation is completed and ready for their intended use, upon which they will be transferred to appropriate categories of property, plant and equipment.

#### 38.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's FVLCOB and VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.7 Impairment of non-financial assets (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 38.8 Financial assets

##### (a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### (b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.8 Financial assets (Continued)

##### (c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “Other (losses)/gains, net”.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the statement of profit or loss in which it arises.

Losses allowance of financial assets are presented as separate line item in the consolidated statement of comprehensive income.

##### (d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

#### 38.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.10 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Note 6 provides further information on how the Group accounts for government grants.

#### 38.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 38.12 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.13 Current and deferred income tax (Continued)

**(b) *Deferred income tax (Continued)***

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 38.14 Employees benefits

**(a) *Pension obligations***

The Group contributes to various employee retirement benefit plans organised by municipal and provincial governments in Mainland China for its PRC based employees. Under these plans, the municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees of the Group. Contributions to these plans are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no further payment obligations once the contributions have been paid.

**(b) *Profit-sharing and bonus plans***

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.15 Provisions

Provisions for environmental restoration, restructuring costs, onerous contracts and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Before the separate provision for onerous contracts is established, the Group recognises impairment loss that has occurred on inventories dedicated to that used in fulfilling the contracts. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 38.16 Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on the straight-line basis to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### 38.17 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

#### 38.17 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate applied was HKD Prime Rate and the effective interest rate of the Group's long-term bank borrowing.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise low-value lease of warehouse.

#### 38.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## FIVE YEAR SUMMARY

	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
<b>Consolidated results</b>					
Revenue	444,106	547,976	730,034	637,078	584,794
Operating profit/(loss)	16,999	85,824	89,373	(52,048)	(57,068)
Finance income/(costs), net	153	(1,415)	(1,729)	(6,532)	(10,514)
Profit/(loss) before income tax	17,152	84,409	87,644	(58,580)	(67,582)
Income tax expense	(409)	(26,202)	(6,286)	(27,938)	(669)
Profit/(loss) for the year	16,743	58,207	81,358	(86,518)	(68,251)
Profit/(loss) for the year attributable to:					
Equity holders of the Company	16,827	58,318	81,423	(86,057)	(68,243)
Non-controlling interest	(84)	(111)	(65)	(461)	(8)
Dividends	10,594	–	40,787	–	–
<b>Consolidated assets and liabilities</b>					
Total non-current assets	438,111	639,489	844,709	904,179	950,965
Total current assets	409,218	317,026	362,046	338,317	298,793
Total current liabilities	(196,334)	(256,712)	(274,017)	(325,238)	(604,551)
Net current assets/(liabilities)	212,884	60,314	88,029	13,079	(305,758)
Total assets less current liabilities	650,995	699,803	932,738	917,258	645,207
Total non-current liabilities	(1,080)	(2,277)	(153,845)	(265,669)	(61,868)
Net assets	649,915	697,526	778,893	651,589	583,339
Earnings/(loss) per share					
– basic and diluted	RMB0.032	RMB0.110	RMB0.154	RMB(0.162)	RMB(0.129)



## DEFINITIONS

Board	Board of Directors of the Company
CG Code	Code provisions of 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*)
Chirechnology Centre	The Jiangsu Biochemical Chirechnology Research Centre
CIT	Corporate Income Tax
Concurrent Production Technology	The concurrent production technology for the production of fumaric acid and malic acid
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 Exchange
GMP	Good Manufacturing Practices
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

## DEFINITIONS

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
Shanghai Changmao	Shanghai Changmao Biochemical Engineering Company Limited, a subsidiary of the Company
Shanghai Life Sci	Shanghai Medical Life Science Research Centre Limited, a subsidiary of the Company
Shuguang Factory	Changzhou Shuguang Factory (常州曙光化工廠)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	Supervisor(s) of the Company
USD	United States Dollars