



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)

(Company registration number: 200920277C)

---

### **Unaudited Results for the First Quarter Period Ended 31 March 2016**

---

#### **INTRODUCTION**

Anchun International Holdings Ltd. ("Anchun") is a leading integrated EPC provider of process technology, design, manufacturing and engineering services to the PRC environmental protection industry, and petrochemical and chemical industries, in particular, ammonia and methanol industries.

Anchun's integrated business model is anchored on strong R&D capabilities and registered patents for our key technologies, and allows us to capture value across the value chain from system design, system manufacturing and project management, and after-sales. Based on core principles of production efficiency, energy saving and environmental protection, our range of integrated chemical systems engineering and technology solutions can be broadly categorised as follows:-

- (i) Chemical systems engineering and technology design services (**Engineering Services**);
- (ii) Chemical systems and components, including reactors applicable in a wide range of various reactions, pressure vessels and other auxiliary equipment; along with chemical process technologies such as alcohol-hydrocarbon reactor technology, ammonia synthesis reactor technology and methanol synthesis reactor technology, gasification technology and CO shift technology ("**CSC Business**"); and
- (iii) Catalysts and pre-reduced catalysts and other products ("**Catalysts Business**")

Anchun's chemical systems are generally used by our customers to produce ammonia and methanol, which are subsequently used as crucial feedstock in our customers' production system to produce other downstream products such as urea, compound fertiliser, methanol fuel, formaldehyde, dimethyl ether and explosives.

Anchun has received several enterprise awards and accolades, including status of designated company for technological support for China Petroleum & Chemical Industry in Environmental Protection and Green Production (中国石油和化工行业环境保护与清洁生产重点支撑技术单位) and 2013 outstanding technological advancement award (工业科技进步奖) conferred by both China Fertilizer Industry Association (中国氮肥工业协会) and China Petroleum and Chemical Industries Association (中国石油和化学工业联合会).

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 &Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statements for the corresponding period of the immediately preceding financial year.**

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB"), being the functional currency of the Company and its subsidiary.

	<b>Group</b>		<b>Change %</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>3 months ended</b>		
	<b>31/03/2016</b>	<b>31/03/2015</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
<b>Revenue</b>	19,387	24,683	-21%
Cost of sales	(14,311)	(11,799)	21%
<b>Gross Profit</b>	<b>5,076</b>	<b>12,884</b>	-61%
<b>Other item of income</b>			
Finance and other income	1,339	537	149%
<b>Other items of expenses</b>			
Marketing and distribution expenses	(1,002)	(1,003)	0%
Administrative expenses	(10,132)	(8,251)	23%
Research expenses	(750)	(1,932)	-61%
Finance costs	(142)	(283)	-50%
<b>(Loss)/Profit before tax</b>	<b>(5,611)</b>	<b>1,952</b>	N.M
Income tax expenses	-	(398)	-100%
<b>(Loss)/profit for the period representing total comprehensive income for the period attributable to owners of the Company</b>	<b>(5,611)</b>	<b>1,554</b>	N.M

*N.M. - not meaningful*

- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

Profit before tax is arrived at after charging/(crediting) the following:

	<b>Group</b>		<b>Change</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>3 months ended</b>		
	<b>31/03/2016</b>	<b>31/03/2015</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Depreciation of property, plant and equipment	3,634	3,465	5%
Depreciation of investment property	44	44	0%
Amortisation of land use rights	91	91	0%
Amortisation of intangible assets	82	6	1267%
Write-off of disposal of property, plant and equipment	–	7	-100%
Exchange (gain)/loss	(208)	183	N.M
Write-back for after-sale expenses	–	(5)	-100%
Finance income	(634)	(857)	-26%
Finance costs	142	283	-50%
Performance share plan expenses	44	40	10%

*N.M. - not meaningful*

1(b)(i) Statement of financial position (for company and group), together with comparatives as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited 31/03/2016 RMB'000	Audited 31/12/2015 RMB'000	Unaudited 31/03/2016 RMB'000	Audited 31/12/2015 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	111,029	114,704	–	–
Intangible assets	849	293	–	–
Land use rights	14,349	14,440	–	–
Deferred tax assets	53	53	–	–
Investment in a subsidiary	–	–	75,210	75,166
Investment property	744	788	–	–
Prepayments	1,797	1,788	–	–
	<b>128,821</b>	<b>132,066</b>	<b>75,210</b>	<b>75,166</b>
<b>Current assets</b>				
Inventories	59,268	65,388	–	–
Trade and other receivables	68,616	64,230	35,779	35,766
Bills receivable	29,746	30,129	–	–
Prepayments	6,252	6,250	113	85
Cash and cash equivalents	140,572	155,363	26,750	27,223
	<b>304,454</b>	<b>321,360</b>	<b>62,642</b>	<b>63,074</b>
<b>Total assets</b>	<b>433,275</b>	<b>453,426</b>	<b>137,852</b>	<b>138,240</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	53,096	59,225	11,124	11,074
Advances from customers	41,464	42,647	–	–
Other liabilities	9,984	16,838	1,022	1,085
Provision for after-sale expenses	–	–	–	–
Income tax payable	6,681	7,099	–	–
	<b>111,225</b>	<b>125,809</b>	<b>12,146</b>	<b>12,159</b>
<b>Total liabilities</b>	<b>111,225</b>	<b>125,809</b>	<b>12,146</b>	<b>12,159</b>
<b>Net current assets</b>	<b>193,229</b>	<b>195,551</b>	<b>50,496</b>	<b>50,915</b>
<b>Net assets</b>	<b>322,050</b>	<b>327,617</b>	<b>125,706</b>	<b>126,081</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(430)	(430)	(430)	(430)
Other reserves	119,832	119,399	212	168
Accumulated profits/(loss)	53,370	59,370	(23,354)	(22,935)
<b>Total equity</b>	<b>322,050</b>	<b>327,617</b>	<b>125,706</b>	<b>126,081</b>
<b>Total equity and liabilities</b>	<b>433,275</b>	<b>453,426</b>	<b>137,852</b>	<b>138,240</b>

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

The Group has loans from former shareholders of our subsidiary amounting to RMB22.5 million (31 December 2015: RMB22.5 million) as at 31 March 2016 with an interest rate of 2.5% per annum and which are unsecured with no fixed term of repayment.

1(c) A statement of cash flows (for the Group), together with a comprehensive statement for the corresponding period of the immediately preceding financial year.

	Group Unaudited 3 months ended	
	31/03/2016	31/03/2015
Note	RMB'000	RMB'000
<b>Operating activities</b>		
(Loss)/profit before tax	(5,611)	1,952
<u>Adjustment for:</u>		
Depreciation of property, plant and equipment	3,634	3,465
Depreciation of investment property	44	44
Amortisation of intangible assets	82	6
Amortisation of land use rights	91	91
Write-back for after-sale services	–	(5)
Write-off of property, plant and equipment	–	7
Net foreign exchange (gain)/loss	(208)	183
Performance share plan expense	44	40
Finance costs	142	283
Finance income	(634)	(857)
<b>Operating cash flows before changes in working capital</b>	<b>(2,416)</b>	<b>5,209</b>
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Inventories	6,120	(10,617)
Trade and other receivables	(4,386)	(9,932)
Bills receivable	383	14,120
Prepayments	(2)	(1,508)
(Decrease)/increase in:		
Trade and other payables	(5,759)	(772)
Advances from customers	(1,183)	2,121
Other liabilities	(6,153)	(7,298)
Total changes in working capital	(10,980)	(13,886)
<b>Cash flows used in operations</b>	<b>(13,396)</b>	<b>(8,677)</b>
Interest received	634	857
Interest paid	(843)	(1,414)
<b>Net cash used in operating activities</b>	<b>(13,605)</b>	<b>(9,234)</b>

1c) A statement of cash flows (for the Group), together with a comprehensive statement for the corresponding period of the immediately preceding financial year. (cont'd)

	<b>Group Unaudited 3 months ended</b>	
	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Investing activities</b>		
Purchase of intangible assets - software	(638)	-
Purchase of property, plant and equipment	(756)	(1,377)
	<b>A</b>	
<b>Net cash used in investing activities</b>	<u>(1,394)</u>	<u>(1,377)</u>
<b>Net decrease in cash and cash equivalents</b>	(14,999)	(10,611)
<b>Cash and cash equivalents at beginning of period</b>	155,363	164,684
<b>Effect of exchange rate changes on cash and cash equivalents</b>	208	(183)
	<u>140,572</u>	<u>153,890</u>

**Note A:**

**Purchase of property, plant and equipment**

	<b>Group Unaudited 3 months ended</b>	
	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current period additions to property, plant and equipment	41	496
Less: Payable to creditors for current period purchases	(1,782)	(1,715)
Prepayments made in prior period	(1,788)	(4,751)
Add: Payments for prior period purchase	2,570	2,455
Prepayments made in current period	1,715	4,892
<b>Net cash outflow for purchase of property, plant and equipment</b>	<u>756</u>	<u>1,377</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

	Attributable to owners of the Company								
	Share Capital	Employee benefit trust Shares	Performance share plan reserve	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group Unaudited</b>									
Balance at 1 January 2015	149,278	(430)	–	1,725	37,975	3,195	75,000	51,879	318,622
Profit for the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	1,554	1,554
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	40	–	–	–	–	–	40
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	251	–	(251)	–
Transfer to statutory reserve fund	–	–	–	–	225	–	–	(225)	–
<b>Total others</b>	–	–	40	–	225	251	–	(476)	40
<b>Balance at 31 March 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>40</b>	<b>1,725</b>	<b>38,200</b>	<b>3,446</b>	<b>75,000</b>	<b>52,957</b>	<b>320,216</b>
<b>Group Unaudited</b>									
Balance at 1 January 2016	149,278	(430)	168	1,725	38,329	4,177	75,000	59,370	327,617
Profit of the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	(5,611)	(5,611)
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	44	–	–	–	–	–	44
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	389	–	(389)	–
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	–
<b>Total others</b>	–	–	44	–	–	389	–	(389)	44
<b>Balance at 31 March 2016</b>	<b>149,278</b>	<b>(430)</b>	<b>212</b>	<b>1,725</b>	<b>38,329</b>	<b>4,566</b>	<b>75,000</b>	<b>53,370</b>	<b>322,050</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Statement of Changes in Equity (cont'd)**

	Attributable to owners of the Company				
	Share Capital	Employee benefit trust Shares	Performance share plan reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company Unaudited</b>					
Balance at 1 January 2015	149,278	(430)	–	(20,072)	128,776
Loss of the period, representing total comprehensive income for the period	–	–	–	(699)	(699)
Grant of equity-settled performance shares to employees	–	–	40	–	40
<b>Balance at 31 March 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>40</b>	<b>(20,771)</b>	<b>128,117</b>
<b>Company Unaudited</b>					
Balance at 1 January 2016	149,278	(430)	168	(22,935)	126,081
Loss of the period, representing total comprehensive income for the period	–	–	–	(419)	(419)
Grant of equity-settled performance shares to employees	–	–	44	–	44
<b>Balance at 31 March 2016</b>	<b>149,278</b>	<b>(430)</b>	<b>212</b>	<b>(23,354)</b>	<b>125,706</b>



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Ordinary shares

	Number of shares	Amount RMB '000
Ordinary shares including employee benefit trust ("EBT") shares as at 31 March 2016 and 31 December 2015	505,000,000	149,278

Convertibles

The Company did not have outstanding convertibles as at 31 March 2016 and 31 December 2015.

EBT shares

The Company had 1,700,00 EBT shares as at 31 March 2016 and 31 December 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31.03.16	As at 31.12.15
Total number of issued shares excluding EBT shares	503,300,000	503,300,000

1(d)(iv) A statement showing all sales, transfer, disposals, cancellations and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2) Whether the figures have been audited, or reviewed and in accordance with which standard or practices.

The figures have not been audited or reviewed by the Company's auditors.

3) Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4) Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2016, the same accounting policies and methods of computation have been applied. The adoption of new FRSs and Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

- 5) **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company have adopted all the new FRSs and Amendments to FRSs that are effective for the periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

- 6) **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	<b>Group</b>	
	<b>3 months ended 31/03/2016</b>	<b>3 months ended 31/03/2015</b>
(Loss)/Profit net of tax attributable to owners of the Company (RMB '000)	<u>(5,611)</u>	<u>1,554</u>
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	<u>503,300</u>	<u>503,300</u>
Basic earnings per share (RMB cents)	<u>(1.11)</u>	<u>0.31</u>

Basic earnings per share for the 3 months ended 31 March 2016 and 31 March 2015 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

The diluted earnings per share are the same as the basic earnings per share as the Company does not have any dilutive potential ordinary shares for the financial period ended 31 March 2016 and 31 March 2015.

- 7) **Net asset value (for the issuer and group) per ordinary share based on issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	<u>31/03/2016</u>	<u>31/12/2015</u>	<u>31/03/2016</u>	<u>31/12/2015</u>
Net asset value per share (RMB cents per share)	63.98	65.09	24.98	25.05

Net asset value per ordinary share as at 31 March 2016 and as at 31 December 2015 were calculated based on the existing number of shares in issue excluding EBT shares at the end of the period of 503,300,000 ordinary shares.

- 8) **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**A) Income Statements**

**Revenue**

1Q2016 vs 1Q2015

Revenue decreased by RMB 5.3 million or 21% from RMB24.7 million in 1Q2015 to RMB19.4 million in 1Q2016. The decrease was mainly due to the decrease of revenue from engineering services, CSC and catalysts businesses, further described as follows:

Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB3.4 million or 85% from RMB4.0 million in 1Q2015 to RMB0.6 million in 1Q2016, this was mainly due to less engineering design service rendered due customers' postponement of projects during the period of 1Q2016.

Revenue from our CSC Business

Revenue from our CSC Business decreased slightly by RMB0.9 million or 6% from RMB15.9 million in 1Q2015 to RMB15.0 million in 1Q2016.

Revenue from our Catalyst Business

Revenue from our Catalyst Business decreased significantly by RMB1.0 million or 21% from RMB4.8 million in 1Q2015 to RMB3.8 million in 1Q2016. The decrease was due to less catalysts were delivered to the customers in 1Q2016 because of the customers' catalysts replacement cycle.

**Gross profit and gross profit margin**

1Q2016 vs 1Q2015

Our overall gross profit decrease by RMB7.8 million or 61% from RMB12.9 million in 1Q2015 to RMB5.1 million in 1Q2016 and our gross profit margin decreased from 52% in 1Q2015 to 26% in 1Q2016.

The decrease in our overall gross profit was mainly due to the following:-

- 1) The gross profit of CSC business decreased by RMB3.9 million from RMB7.5 million in 1Q2015 to RMB3.6 million in 1Q2016. The decrease of CSC business gross profit was mainly attributable to low profit margin of the resale of some finished goods due to previously cancelled contracts, which had a lower selling price due to market conditions and higher material cost,
- 2) The gross profit of catalyst business decreased by RMB0.7 million from RMB2.2 million in 1Q2015 to RMB1.5 million in 1Q2016. The decrease of gross profit was attributable to the decrease of sales of catalyst;
- 3) The gross profit of engineering design decreased by RMB3.2 million from RMB3.2 million in 1Q2015 to RMB 0 balance in 1Q2016. The significant decrease of gross profit was mainly attributable to the significant decrease of sales revenue during the period 1Q2016.

## **A) Income Statements (cont'd)**

### **Finance and other income**

#### 1Q2016 vs 1Q2015

Finance and other income increased significantly by RMB0.8 million or 149% from RMB0.5 million in 1Q2015 to RMB1.3million in 1Q2016. The increase was mainly due to net gain arising from sale of equipment arising from research and development activities in 1Q2016, partially offset by the decrease in interest income in 1Q2016.

### **Marketing and distribution expenses**

#### 1Q2016 vs 1Q2015

Marketing and distribution expenses remained constant at RM1.0 million for both 1Q2016 and 1Q2015.

### **Administrative expenses**

#### 1Q2016 vs 1Q2015

Administrative expenses increased by RMB1.8 million or 23% from RMB 8.3 million in 1Q2015 to RMB 10.1 million in 1Q2016. The increase was mainly due to more unallocated manufacturing overhead was allocated in administrative expenses and the compensation expenses upon early terminations of staff contracts, an action taken after management conducted staff resources and operation efficiency review.

### **Research expenses**

#### 1Q2016 vs 1Q2015

The research expenses decreased by RMB1.1 million or 61% from RMB 1.9 million in 1Q2015 to RMB0.8 million in 1Q2016. The decrease was mainly due to lesser research expenses incurred in 1Q2016 arising from research and development ("R&D") activities.

### **Finance costs**

#### 1Q2016 vs 1Q2015

Finance costs decreased by RMB0.15 million or 50.0% from RMB0.3 million in 1Q2015 to RMB0.15 million in 1Q2016. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan from the former shareholders of our subsidiary in prior year.

### **Income tax expenses**

#### 1Q2016 vs 1Q2015

Income tax expenses decreased by RMB0.4 million or 100% from RMB0.4 million in 1Q2015 to RMB NIL million in 1Q2016. The decrease was due to loss in 1Q2016.

### **Net profit attributable to owners of the Company**

#### 1Q2016 vs 1Q2015

The net profit attributable to owners of the Company has decreased significantly by RMB7.2 million from a profit of RMB1.6 million in 1Q2015 to a loss of RMB5.6 million in 1Q2016. The decrease was mainly due to the decrease of revenue from engineering design service, catalyst business and CSC business, and lower gross profit partially offset by the increase of finance and other income, coupled with the decrease of research expenses and finance cost.

## **B) Balance Sheet Statements**

### **Non-current assets**

Non-current assets decreased by RMB3.3 million or 2.5% from RMB132.1 million as at 31 December 2015 to RMB128.8 million as at 31 March 2016. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, land use rights, deferred tax assets and prepayments for property, plant and equipment.

Property, plant and equipment decreased by RMB3.7 million or 3.2% from RMB114.7 million as at 31 December 2015 to RMB111.0 million as at 31 March 2016, mainly due to depreciation charges for the period. The decrease was partially offset by additions during the period.

### **Current assets**

Current assets decreased by RMB16.9 million or 5.3% from RMB321.4 million as at 31 December 2015 to RMB304.5 million as at 31 March 2016. The decrease was mainly due to the decrease in cash and cash equivalents and Inventories of RMB14.8 million and RMB6.1 million respectively. The decrease of inventories was due to the decrease of finished goods. The decreases were partially offset by the increases in the trade and other receivables of RMB4.8 million. The increase of trade and other receivables was mainly due to payment milestones defined in the contracts have not been reached.

### **Current liabilities**

Current liabilities decreased by RMB14.6 million or 11.6% from RMB125.8 million as at 31 December 2015 to RMB111.2 million as at 31 March 2016. The decrease was mainly attributed to the decrease in other liabilities, trade and other payables, advance from customers and income tax payable of RMB 6.9 million, RMB 6.1 million, RMB 1.2 million and RMB 0.4 million respectively. The decrease in trade payables and other liabilities were mainly due to payment made to vendors.

## **C) Cash Flow Statements**

### **1Q2016**

Cash and cash equivalents decreased by RMB15.0 million in 1Q2016 which was mainly attributed to cash used in operating activities and investing activities. RMB13.6 million was used in operating activities while RMB1.4 million was used in investing activities for the purchase of property, plant and equipment and software.

### **9) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Company did not make any forecast and prospect statement in respect of its results for 31 March 2016.

### **10) A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Economic and credit growth in the People's Republic of China ("PRC") is expected to remain slow given the PRC government's on-going attempts to restructure the economy. Coupled with the global decline in commodity prices, the Group expects a challenging FY2016, as customers withhold or postpone capital expenditure in view of the uncertain economic outlook and difficulty in obtaining credit. The Group will remain vigilant and respond prudently to any macroeconomic changes. To ensure a sustainable growth path for the business, the Group remains committed to its research and development efforts in a new generation of shift catalyst and new equipment technology. The Group's order book as of 31 March 2016 was approximately RMB130.3 million (31 December 2015: RMB144.6 million).

**11) Dividend**

**(a) Current financial period reported on**

The Company does not recommend any dividend for the financial period ended 31 March 2016.

**(b) Corresponding period of the immediately preceding financial year**

The Company did not recommend or declare any dividend for the financial period ended 31 March 2015.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12) If no dividend has been declared/recommended, a statement to that effect**

The Company does not recommend any dividend for the financial period ended 31 March 2016.

**13) If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for Interested Person Transactions ("IPTs").

**14) Update on usage of IPO proceeds**

As at 31 March 2016, the net proceeds from the Company's initial public offering have been utilised as follows:

<b>Usage of IPO Proceeds</b>	<b>Amount allocated RMB'000</b>	<b>Amount utilised RMB'000</b>	<b>Balance RMB'000</b>
<b>(A) Expand our production facilities and capacities</b>	84,238	(17,255)	66,983
<b>(B) Enhance our R&amp;D capabilities and widen our range of innovative and cost-effective solutions</b>	15,479	(3,682)	11,797
<b>(C) Working capital purposes</b>	33,772	(18,320)	15,452
<b>Total</b>	133,489	(39,257)	94,232

The breakdown of working capital utilization is as follows:

<b>Usage of IPO proceeds for working capital</b>	<b>Amount Utilized (RMB'000)</b>
<b>For CO shift catalyst unit and technology implementations</b>	(14,453)
<b>For expanding sales and marketing capabilities and initiatives</b>	(3,867)
<b>Total</b>	(18,320)

The above use of proceeds is in line with the intended use of proceeds set out in the Company's announcement dated 13 July 2015.

**15) Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has obtained undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

**CONFIRMATION BY THE BOARD**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first quarter financial results for the period ended 31 March 2016 to be false or misleading in any material respects.

**By Order of the Board**  
Xie Ming  
Executive Director and CEO  
12 May 2016